OKLAHOMA

2008

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008

Featured on the front cover is the Oklahoma State Capitol Dome, completed in November 2002, after 87 years of having a flat-top roof. The dome measures 155 feet in height and 80 feet in diameter. It includes a 17 foot tall Native American bronze statue, created by Enoch Kelly Haney of the Seminole tribe.

Photo courtesy of the Legislative Service Bureau, Photography Department

OKLAHOMA 2008

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2008

Brad Henry
Governor

Prepared by

Office of State Finance

Michael Clingman, Director
Brenda Bolander, State Comptroller

The Oklahoma Comprehensive Annual Financial Report is an annual publication of the Oklahoma Office of State Finance and is prepared by the Division of Central Accounting & Reporting.

This publication is issued under authority of the Office of State Finance. Pursuant to 74 O.S. 1992, Section 3105, 250 bound copies and 500 compact discs have been prepared and distributed at a cost of $5,500.00. The Office of State Finance would appreciate credit for any reprint.

Requests for additional copies, comments or questions may be directed to Becky Wilson, Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.

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Introductory Section

Introductory Section

MICHAEL CLINGMAN
DIRECTOR OF STATE FINANCE

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

OFFICE OF STATE FINANCE

December 30, 2008

To the Honorable Brad Henry, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2008. This report, presented in three sections - Introductory, Financial, and Statistical - is the primary means of reporting the State government's financial activities. Its objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements. The CAFR has been prepared in conformity with relevant Governmental Accounting Standards Board (GASB) statements.

The Introductory Section contains an overview of the State's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis; Government Wide Financial Statements; Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds and Similar Component Units, and Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information. The Management's Discussion and Analysis contains complementary information and readers are encouraged to review this section.

PROFILE OF THE GOVERNMENT

Management of the State, through the Office of State Finance (OSF), is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes twenty-three component units. There are eight major component units, nine nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented on the fiduciary fund and similar component unit's financial statements, along with the other fiduciary activities of the state. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue

receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations be covered by current year tax collections.

The State's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2008, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2008 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Internal Controls

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls that have been designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

The budget process begins when each agency, other than the legislature, that expends money through the state treasury submits an annual budget request to the OSF. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by the OSF. The Governor then makes formal recommendations in his "Executive Budget" which is presented to the legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and recommend appropriation levels. Then the Legislature must approve all appropriation bills to fund agency operations for the next fiscal year. Appropriation bills provide for state appropriated funds and establish spending limits for state agencies. The Governor can accept, reject or line-item veto particular legislative appropriations. Prior to encumbering or spending money in the fiscal year, each agency must submit a Budget Work Program to the OSF. The program outlines, by object of expenditure, fund source and program category, how the agency plans to spend the available state, federal and revolving funds during the fiscal year. The OSF must approve an agency's budget work program before agencies can encumber or spend available funds.

Oklahoma's Constitution restricts total appropriations to 95% of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OSF and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The Board is comprised of six elected officials and the President of the State Board of Agriculture. The six elected officials are the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. In November of 2004 the voters of Oklahoma enacted new restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The State also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the State, its agencies and public trusts, and performs an assessment of all capital leases.

Proprietary Operations

The State's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods and/or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the State's proprietary operations are power generating plants, turnpikes, medical services and insurance and financing services for both public and private entities.

Cash Management

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested. At June 30, 2008, the State Treasurer’s monthly investable base was $3.538 billion.

Capital Assets

These financial statements include the capital assets of the State. A discussion of capital assets accounting is included in the Management Discussion and Analysis that is part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

Debt Administration

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa3" by Moody's Investors Service, "AA" by Fitch Investors Service, and in September 2008 Standard and Poor’s Corporation raised their rating to “AA+”. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977 and again in 2003. As of June 30, 2008, the outstanding general obligation net debt of the State of Oklahoma was $219 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities. Those revenues may include appropriations to the respective entities. More detailed information about long-term obligations can be found in the notes to the financial statements.

Risk Management and Insurance

In general, the State is "self-insured" for health care claims, workers' compensation, tort liability, vehicle liability, and property losses, with some exceptions for participation in health maintenance organizations and for excess coverage items. The property loss excess coverage is limited to a maximum loss of $1 billion. The Oklahoma State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. CompSource provides workers' compensation coverage for both public and private sector employees in Oklahoma.

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive place to live and work. In May the NBC TV show Today ranked Oklahoma City as one of the 100 best places to raise a family. The state enjoys a very low tax burden, a low cost of doing business, has a highly skilled and productive work force, and is geographically well positioned to take advantage of opportunities anywhere in the United States. Manufacturers in Oklahoma gain a competitive edge by taking advantage of some of the lowest utility costs in the nation.

Oklahoma is known for its abundant resources, most notably, its oil and natural gas production. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Its 200 lakes and rivers provide Oklahomans with many opportunities for outdoor recreation. In fact, Oklahoma has more miles of shoreline than any other state.

Oklahoma boasts high quality education systems with award-winning schools. Oklahoma's Career-Technology has developed the Oklahoma Training for Industry program. This program has been ranked one of America's best and most sophisticated training programs by delivering high quality, customized training to Oklahoma employers for free. Oklahoma's Pre-Kindergarten program has been held as an example for America with more four-year-olds attending public preschool programs than any other State.

Some highlights of Oklahoma's economy are:

- Oklahoma's first major league sports franchise, the OKC Thunder of the National Basketball Association, began their inaugural season in Oklahoma City during 2008. To attract the team, the citizens of Oklahoma City passed a $121.6 million initiative to renovate and expand the Ford Center, a 19,675-seat multi purpose arena, and build a practice facility.

- Also in 2008, Tulsa opened the $196 million BOK Center. The Center is a 19,199-seat multi-purpose arena. Pollstar, the concert industry's leading publication, nominated it for the best new major concert venue.

- Bizjournals rated the Oklahoma City housing market the most affordable of the 50 largest metropolitan areas in America. It reported that housing payments averaged $667 (including all property taxes) with housing payments constituting only 19% of income.

At a time when most of the country is struggling with a severe recession, Oklahoma Department of Commerce data show that investments announced by new and expanding manufacturers and processors in the third quarter of 2008 totaled over $25 million. In the service sector, companies announced $325 million in investments in the same quarter for a total investment of $350 million for the first three quarters of 2008.

Oklahoma's economy posted a 0.8% employment gain from September 2007 to September 2008. This period includes a seasonally adjusted decrease of 0.1% between August and September 2008. This is compared to a 0.4% employment loss in the nation for the same period according to the October 21st "Current Employment Statistics" from the Bureau of Labor Statistics. This gain placed Oklahoma 6th lowest in the nation in unemployment and in the top ten in job growth. Forbes magazine rated Oklahoma City the 19th and Tulsa the 22nd best cities for jobs in America for 2008.

Oklahoma's housing market has remained strong throughout the year in spite of the nationwide downturn. According to the Office of Federal Housing Enterprise Oversight Oklahoma had the fifth greatest home price appreciation at 2.8% of all the states and the District of Columbia between the third quarter of 2007 and 2008. Nationally, home prices fell an average of 6% during the same period.

All of this sustained economic growth has given rise to a 7.2% increase in personal income from the second quarter of 2007 to the second quarter of 2008, the 6th highest in the nation as reported by the Bureau of Economic Analysis. Milliken rated Oklahoma City number 50 and Tulsa number 72 of the best performing cities in America in 2008. These rankings were up from Milliken's rating last year of number 108 and 98 respectively. The ratings are based on how well cities are doing creating and sustaining jobs and economic growth.

Not only has Oklahoma done well this last year, Oklahoma is projected to continue growing into the next year. The Oklahoma State University econometric model predicts Oklahoma's per capita income will be higher than at any point in the past 20 years as a percentage of national per capita income. Retail sales are projected to grow 5.1% in 2009. Forbes magazine rated Oklahoma City the most recession proof city in the nation. It said, "[Oklahoma City is] best positioned among the nations largest metropolitan areas to ride out the current crisis."

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

During this last year Oklahoma has continued to make progress in two priority areas: health care and economic development.

The states and federal governments along with numerous organizations have been struggling to find ways to provide health care for Americans. In 2005 Oklahoma launched its own plan, the Oklahoma Employer/Employee Partnership for Insurance Coverage (O-EPIC), a healthcare premium assistance program.

This year the Governor signed into law legislation expanding the eligible population for the program by allowing state employers with 250 or fewer employees (up from employers with 50 employees) to participate and including workers earning up to 250 percent of the poverty level (an increase from 200%). In September 2008 the program won The Healthcare Leadership Council's Honor Roll for Coverage Award, which recognizes exemplary community programs that provide access to health coverage for uninsured Americans.

Like much of the rest of the nation Oklahoma's transportation infrastructure has been in need of significant improvement. This condition has acted as a hindrance to Oklahoma's future economic growth. To remedy this condition the Governor signed into law legislation which provided $300 million for bond funding of transportation projects in Oklahoma, created a $25 million revolving fund for county transportation projects, increased funding for bridges and highways by $30 million a year until 2017 and increased the maximum funding for the replacement of substandard bridges and improvement of highways from $270 million to $370 million.

Also in economic development, the federal Indian land tax credit was extended to December 31, 2009.

Highlights of the fiscal year 2008 and fiscal year 2009 executive branch budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2008	2009	2008	2009	2008	2009	2008	2009
Department of Education	$ 2,480	$ 2,532	37%	36%	$ 132	$ 52	6%	2%
Regents for Higher Education	1,054	1,040	16%	15%	120	(14)	13%	(1%)
Career & Technical Education	155	158	2%	2%	8	3	5%	2%
Other Education	30	31	0%	1%	4	1	15%	3%
Total Education	3,719	3,761	55%	54%	264	42	8%	1%
Department of Health	74	75	1%	1%	3	1	4%	1%
Health Care Authority	772	842	11%	12%	70	70	10%	9%
Department of Mental Health	208	210	3%	3%	13	2	7%	1%
Other Health	41	43	1%	1%	(1)	2	(2%)	5%
Total Health	1,095	1,170	16%	17%	85	75	8%	7%
Department of Human Services	557	559	8%	8%	21	2	4%	0%
Office of Juvenile Affairs	110	112	2%	2%	6	2	6%	2%
Other Human Services	43	43	1%	1%	1	0	2%	0%
Total Human Services	710	714	11%	11%	28	4	4%	1%
Department of Corrections	478	503	7%	7%	22	25	5%	5%
Department of Transportation	218	208	3%	3%	(67)	(10)	(24%)	(5%)
Department of Public Safety	98	97	1%	1%	8	(1)	9%	(1%)
Other	486	496	7%	7%	24	10	5%	2%
Total	$ 6,804	$ 6,949	100%	100%	$ 364	$ 145	6%	2%

FINANCIAL INFORMATION

Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2008, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

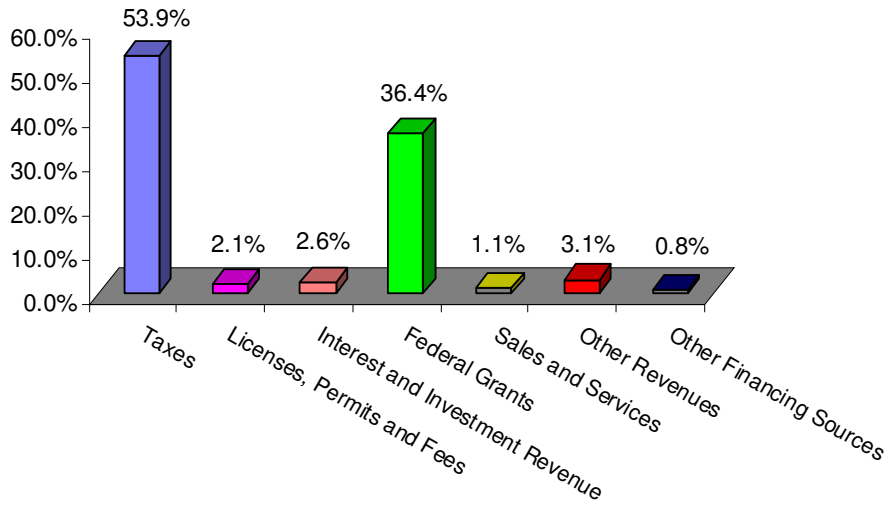
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2008 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	$ 8,181	53.9%	$ 207	2.6%
Licenses, permits and fees	324	2.1%	34	11.7%
Interest and investment revenue	399	2.6%	(239)	(37.5%)
Federal grants	5,504	36.4%	497	9.9%
Sales and services	173	1.1%	(12)	(6.5%)
Other revenues	475	3.1%	108	29.4%
Other financing sources:				
Operating transfers	76	0.5%	(4)	(5.0%)
Bond and note proceeds	23	0.2%	(84)	(78.5%)
Other	11	0.1%	1	10.0%
Total revenues and other financing sources	$ 15,166	100.00%	$ 508	

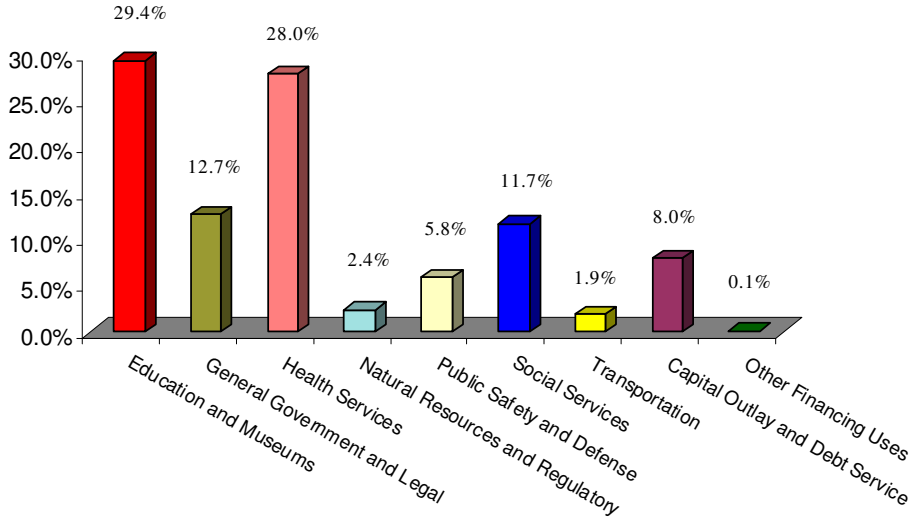
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2008 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	$ 4,387	29.2%	$ 169	4.0%
General government	1,695	11.3%	91	5.7%
Health services	4,200	28.0%	263	6.7%
Legal and judiciary	216	1.4%	9	4.3%
Museums	32	0.2%	15	88.2%
Natural resources	264	1.8%	26	10.9%
Public safety and defense	877	5.8%	103	13.3%
Regulatory services	93	0.6%	(15)	(13.9%)
Social services	1,756	11.7%	(3)	(0.2%)
Transportation	286	1.9%	112	64.4%
Capital outlay	1,010	6.7%	92	10.0%
Debt service	200	1.3%	27	15.6%
Other Financing Uses:				
Operating transfers	8	0.1%	(3)	(27.3%)
Total expenditures and other financing uses	$ 15,024	100.0%	$ 886	6.3%
Governmental Funds -				
Net increase in fund balance	$ 142			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2008



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2008



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 75% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not

interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from all of the four major taxes (income tax, sales tax, gross production tax and motor vehicle tax) exceeded revenues of the prior year, producing a combined total of $5.2 billion, or 87% of total GRF receipts. The total of major taxes collected increased $4 million or 0.1% from that of the prior year. As compared to fiscal year 2007, collections from income taxes decreased by $255 million, or 9.2%; sales taxes increased by $81 million, or 5.3%; motor vehicle taxes decreased by $7.6 million, or 2.9% and gross production taxes on gas and oil increased by $186 million, or 29%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in fourteen years and dipped below the estimate nine years. The comparison of estimated revenues to actual collections for fiscal year 2008 is as follows:

Revenue Collections Compared to Itemized Estimate for Fiscal 2008
(expressed in millions)

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate Income tax	$ 2,606.3	$ 2,518.2	$ (88.1)	96.6%
Sales tax	1,594.0	1,611.8	17.8	101.1%
Motor vehicle tax	255.9	251.7	(4.2)	98.4%
Gross production tax	654.2	825.2	171.0	126.1%
Subtotal Major Taxes	5,110.4	5,206.9	96.5	101.9%
Other sources	735.0	774.2	39.2	105.3%
Total	$ 5,845.4	$ 5,981.1	$ 135.7	102.3%

The fifteen-year comparative history of estimated to actual collections is shown in the following table.

Budgetary General Revenue Fund Comparisons
(expressed in millions)

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1994	$ 3,399	$ 3,342	$ (57)	98.3%
1995	3,515	3,512	(3)	99.9%
1996	3,614	3,705	91	102.5%
1997	3,531	3,778	247	107.0%
1998	3,866	4,009	143	103.7%
1999	4,186	4,148	(38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(416)	91.4%
2003	4,725	4,186	(539)	88.6%
2004	4,396	4,613	217	104.9%
2005	4,545	4,957	412	109.1%
2006	5,149	5,715	566	111.0%
2007	5,708	5,966	258	104.5%
2008	5,845	5,981	136	102.3%
Fifteen-Year Average	$ 4,402	$ 4,491	$ 89	102.0%

The status of three important fund balances affecting the new year's fiscal picture is explained as follows:

Cash-Flow Reserve Fund – Each year, 10% of the General Revenue Fund's certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2008 the amount the State set aside was $564.9 million.

General Revenue Fund - The fiscal year 2008 cash carryover available to the next Legislature was $60.4 million, compared to $195.9 million in fiscal year 2007. The carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow reserve fund also come from this source.

Constitutional Reserve "Rainy Day Fund" - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified collections for the General Revenue Fund. For the fiscal year beginning July 1, 2008, this fund had a balance of $596.6 million.

FOR THE FUTURE

Unlike most of the nation the State of Oklahoma continues to maintain positive economic growth. State government has focused on three critical issues to ensure that the State capitalizes on its inherent potential for greater growth. A sustained effort in the areas of education, health care, and economic development are essential for creating a bright, strong future.

Oklahoma's executive management will continue to lead in promoting improvement in these three key areas to improve the lives of all Oklahomans. With the Governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed, to make first-rate health care available and affordable for all Oklahomans and will encourage investors to allow their money to work and grow in Oklahoma, creating more jobs and higher incomes.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

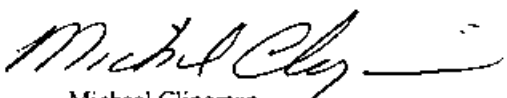
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

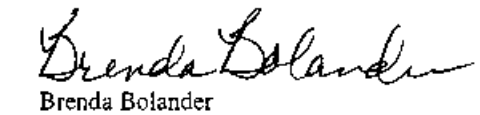
ACKNOWLEDGMENTS

The Office of State Finance is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,



Michael Clingman
Director of State Finance



Brenda Bolander
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2008

LEGISLATIVE BRANCH

Senate
Glenn Coffee, President Pro Tempore

House of Representatives
Chris Benge
Speaker of the House

EXECUTIVE BRANCH

Governor
Brad Henry

Lieutenant Governor
Jari Askins

* Secretary of State
M. Susan Savage

State Auditor and Inspector
Steve Burrage

Attorney General
Drew Edmondson

State Treasurer
Scott Meacham

Superintendent of Public Instruction
Sandy Garrett

Commissioner of Labor
Lloyd Fields

Commissioner of Insurance
Kim Holland

Commissioners of the Corporation Commission
Bob Anthony
Dana Murphy
Jeff Cloud

JUDICIAL BRANCH

* State Supreme Court
James R. Winchester, Chief Justice

* Court of Criminal Appeals
Charles Chapel, Presiding Judge

*Appointed Position

CABINET DEPARTMENT SECRETARIES

Agriculture
Commerce & Tourism
Education
Energy
Environment
Finance & Revenue
Health
Human Resources & Administration
Human Services
Military Affairs
Safety & Security
Secretary of State
Science & Tech. Development
Transportation
Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page. Agency numbers are listed to the left of the agency name.

305 Office of the Governor
440 Office of the Lieutenant Governor

Agriculture
40 Agriculture, Department of
39 Boll Weevil Eradication Org.
645 Conservation Commission
615 Foresters, Board of Registered
535 Peanut Commission
875 Wheat Commission

Commerce and Tourism
981 Capital Investment Board
007 Centennial Commission
160 Commerce, Department of
900 Development Finance Authority
290 Employment Security Commission
350 Historical Society
922 Housing Finance Authority
370 Industrial Finance Authority
204 J.M. Davis Memorial Commission
405 Labor, Department of *
981 Municipal Power Authority
361 Native American Cultural/Ed. Auth
568 Scenic Rivers Comm.
566 Tourism & Recreation, Dept. of
880 Will Rogers Memorial Commission

Education
44 Anatomical Board
55 Arts Council
800 Career & Technology Education
266 Educational TV Authority
265 Education, Department of *
430 Library Department
563 Private Vocational School, Board of
629 School of Science & Mathematics
269 Teacher Preparation, Comm. for

Colleges and Universities:
100 Cameron University
108 Carl Albert State College
165 Connors State College
230 East Central University
240 Eastern Oklahoma State College
420 Langston University
470 Murray State College
480 Northeastern Okla. A & M College
485 Northeastern State University
490 Northern Oklahoma College
505 Northwestern Oklahoma State Univ.
530 Oklahoma Panhandle State Univ.
10 Oklahoma State University
761 Oklahoma University Law Center
633 Oklahoma City Community College
770 Okla. University Health Science Ctr.
773 OSU -College of Osteopathic Medicine
14 OSU -College of Veterinary Medicine
11 OSU -Experiment Station
12 OSU -Extension Division
13 OSU -School of Tech. Training
15 OSU -Technical Institute of OKC
16 OSU -Tulsa
771 OU Health Sci. Ctr. Prof. Prac. Plan
620 Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.
241 Redlands Community College
600 Regents for A&M Colleges
605 Regents for Higher Education
610 Regents for Oklahoma Colleges
461 Rogers State University
531 Rose State College
623 Seminole State College
660 Southeastern Oklahoma State Univ.
665 Southwestern Oklahoma State Univ.
618 Student Loan Authority
750 Tulsa Community College
120 University of Central Oklahoma
760 University of Oklahoma
150 Univ. of Science and Arts of Okla.
41 Western Oklahoma State College

Energy
185 Corporation Commission *
359 Energy Resources Board
980 Grand River Dam Authority
307 Interstate Oil Comp. Com.
445 LPG Board
444 LPG Research, Marketing and Safety
446 Marg. Prod. O&G Wells, Comm. on
125 Mines, Department of

Environment
292 Dept. of Environmental Quality
920 Environmental Finance Authority
835 Water Resources Board
320 Wildlife Conservation, Dept. of

Finance and Revenue
300 Auditor & Inspector *
65 Banking Department
582 Bond Advisor
91 Building Bonds Commission
105 Capitol Improvement Authority
390 CompSource Oklahoma
635 Consumer Credit, Comm. for
90 Finance, Office of State
315 Firefighters Pension & Retirement
385 Insurance Department *
410 Land Office, Commissioners of the
416 Law Enforcement Retirement
435 Lottery Commission
557 Police Pension & Retirement System
515 Public Employees' Retirement System
630 Securities Commission
695 Tax Commission
715 Teachers' Retirement System
740 Treasurer *

Health
022 Abstractor's Board
448 Alcohol and Drug Coun., Bd. of Lic.
783 Community Hospitals Authority
170 Construction Industries Bd.
807 Health Care Authority
340 Health, Department of
452 Mental Health and Sub. Abuse Svc.
509 Nursing Homes, Board of Exam. for
092 Tobacco Settle. End. Trust Bd. of Dir.

Human Resources and Admin.
20 Accountancy Board
45 Architects, Board of Gov.of Licensed
580 Central Services, Dept. of
145 Chiropractic Examiners Board
190 Cosmetology Board
215 Dentistry, Board of
815 Employees Benefits Council
285 Funeral Board
353 Horse Racing Commission
355 Human Rights Commission
450 Medical Licensure & Supv., Bd. of
298 Merit Protection Commission
475 Motor Vehicle Commission
510 Nursing Board
520 Optometry Board
525 Osteopathic Examiners Board
343 Perfusionists, State Bd. of Examiners
548 Personnel Management
560 Pharmacy Board
140 Podiatric Medical Examiners, Bd. of
570 Prof. Engin. & Land Surveyors Bd.
575 Psychologists, Bd. of Examiners
588 Real Estate Commission
622 Social Workers Board, Bd. of Lic.
632 Speech-Lang. Pathology & Aud. Bd.
516 State and Ed. Empl. Group Ins. Bd.
755 Used Motor Vehicle & Parts
790 Veterinary Medical Examiners Board

Human Services
127 Children & Youth, Commission
326 Handicapped Concerns, Office of
830 Human Services, Department of
360 Indian Affairs Commission
670 J.D. McCarty Center
400 Juvenile Affairs, Office of
619 Physicians Manpower Trng. Comm.
805 Rehabilitative Services
825 University Hospitals Authority

Military Affairs
25 Military Department

Safety and Security
30 ABLE Commission
49 Attorney General *
772 Chem. Tests for Alc/Drug Infl., Bd. of
309 Civil Emergency Mgmt, Dept. of
131 Corrections Department
220 District Attorney's Council
310 Fire Marshal, State
47 Indigent Defense System
308 Investigation, Bureau of
415 Law Enf. Educ. & Trng., Council on
342 Medicolegal Investigations, Bd. of
477 Narcotics & Dang. Drugs, Bureau of
306 Pardon and Parole Board
585 Public Safety, Department of

Science and Technology Dev.
628 Center f/t Adv. of Sci. & Technology

Secretary of State
270 Election Board
296 Ethics Commission
678 Judicial Complaints, Council on
625 Secretary of State

Transportation
978 Okla. Transportation Authority
346 Space Industry Development Auth.
345 Transportation, Department of
060 Aeronautics Commission

Veterans Affairs
650 Veterans Affairs, Department of

* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

Financial Section

Financial Section

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy

2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

INDEPENDENT AUDITOR'S REPORT

**TO THE GOVERNOR AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oklahoma as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, or the Oklahoma Department of Wildlife Conservation, which in the aggregate represent ten percent and three percent, respectively, of the assets and revenues of the governmental activities, and two percent of both the assets and revenues of the general fund.
- the financial statements of the Water Resources Board or the Oklahoma Lottery Commission which in the aggregate represent fifty-four percent of the assets and fifty-two percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, or the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, the Oklahoma Department of Wildlife Conservation Retirement Plan, or the Oklahoma State and Education Employees Group Insurance Board which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

State of Oklahoma as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported, "the System's actuary has determined that the System's unfunded actuarial accrued liability ("UAAL") is approximately $9,090,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 54.4 years." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Schedule-Budget to Actual (Non-GAAP Budgetary Basis) General Fund , and the Notes to Required Supplementary Information-Budgetary Reporting, as listed in the table of contents, and the Schedules of Funding Progress for the Wildlife Conservation Plan, Oklahoma Law Enforcement Retirement System, and the Uniform Retirement System for Judges and Justices presented in Note 14 to the basic financial statements are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, statistical section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section listed in the aforementioned table of contents have not been audited by us, and accordingly, we do not express an opinion on them.

Steve Burrage, CPA
State Auditor and Inspector

December 30, 2008

Management's Discussion and Analysis

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets - The assets of the State exceeded its liabilities at fiscal year ending June 30, 2008 by $14.1 billion (presented as "net assets"). Of this amount, $3.4 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Changes in Net Assets - The State's total net assets increased by $717 million (a 5.4% increase) in fiscal year 2008, less than the 8.6% increase from the previous fiscal year. Net assets of governmental activities increased by $640 million (a 5.3% increase), while net assets of the business-type activities showed an increase of $78 million (a 6.4% increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2008, the State's governmental funds reported a combined ending fund balance of $6.3 billion, an increase of $142 million in comparison with the prior year. Of this total amount, $3.5 billion represents the "unreserved fund balances", all being in the general fund. Of this $3.5 billion, $565 million (increased $10 million) is in the Cash Flow Reserve Fund and $597 million (increased $26 million) is in the Rainy Day Fund leaving $2.3 billion (increased $22 million) as undesignated for the general fund. This $2.3 billion is roughly 15.8% of the total governmental funds expenditures for the year. This ratio decreased 0.7% from a year ago.

Long-term Debt:

The State's total long-term debt obligations showed a net decrease of $137 million (7.3%) in the governmental type activities and a net decrease of $35 million (6.0%) in the business type activities long-term debt during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State of Oklahoma's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the ***Government-Wide Financial Statements*** and the ***Fund Financial Statements and Combining Major Component Unit Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education (support for both common public schools and higher education), general government, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), and the Oklahoma Lottery Commission. These three programs operate with minimal assistance from the governmental activities of the state.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The State's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The State's eight discretely presented major component units are:

CompSource Oklahoma
State and Education Employees Group Insurance Board

Oklahoma Student Loan Authority
Oklahoma Housing Finance Agency
Oklahoma Turnpike Authority
Grand River Dam Authority
Oklahoma Municipal Power Authority
Higher Education Component Unit

The State's nine other (or nonmajor) component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

Oklahoma Educational Television Authority
Oklahoma Industrial Finance Authority
Health Insurance High Risk Pool
Multiple Injury Trust Fund
University Hospitals Authority
Oklahoma Development Finance Authority
Oklahoma Capital Investment Board
Oklahoma State University Medical Authority
Oklahoma Centennial Commemoration Fund

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements and Major Component Unit Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds Financial Statements – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State has three enterprise funds, with all three being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission), the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board), and the Oklahoma Lottery Commission.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds and Similar Component Units Financial Statements – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The State's fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds and similar component units' financial statements can be found immediately following the proprietary fund financial statements.

Component Units Financial Statements – As mentioned above, these are operations for which the State has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The government-wide financial statements present information for the component units in a single column of the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The combining statement of net assets and combining statement of changes in net assets provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the combining financial statements described below.

The basic combining financial statements for major component units can be found immediately following the fiduciary fund and similar component unit's financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes a schedule of reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

Budgetary Detail

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled $14.1 billion at the end of 2008, compared to $13.4 billion at the end of the previous year.

The largest portion of the State's net assets (50.6%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Oklahoma's Net Assets-Primary Government
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current Assets	$ 6,904,387	$ 8,179,366	$ 954,951	$ 947,276	$ 7,859,338	$ 9,126,642
Capital Assets	8,059,900	7,657,536	771	1,028	8,060,671	7,658,564
Other Assets	2,609,382	2,639,129	903,753	915,856	3,513,135	3,554,985
Total Assets	17,573,669	18,476,031	1,859,475	1,864,160	19,433,144	20,340,191
Noncurrent Liabilities	1,534,324	1,640,521	508,834	551,121	2,043,158	2,191,642
Other Liabilities	3,268,132	4,681,270	57,178	97,317	3,325,310	4,778,587
Total Liabilities	4,802,456	6,321,791	566,012	648,438	5,368,468	6,970,229
Invested in Capital Assets, Net of Related Debt	7,118,384	6,633,078	771	1,028	7,119,155	6,634,106
Restricted	2,284,063	2,172,697	1,283,673	1,207,733	3,567,736	3,380,430
Unrestricted	3,368,766	3,348,465	9,019	6,961	3,377,785	3,355,426
Total Net Assets	$12,771,213	$12,154,240	$1,293,463	$ 1,215,722	$14,064,676	$13,369,962

A portion of the State's net assets (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

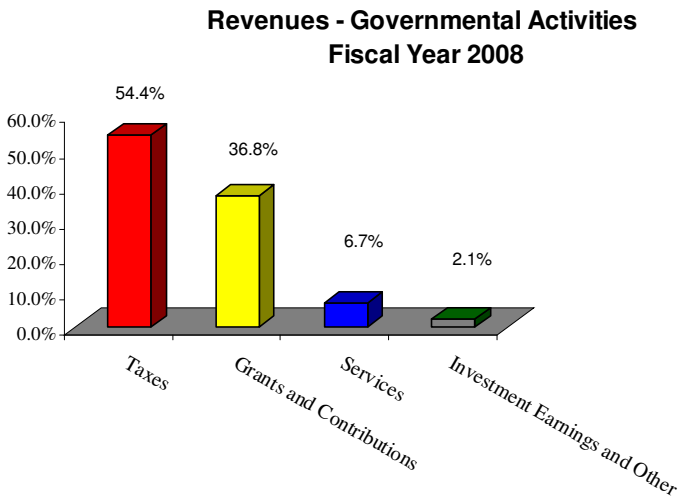
Changes in Net Assets

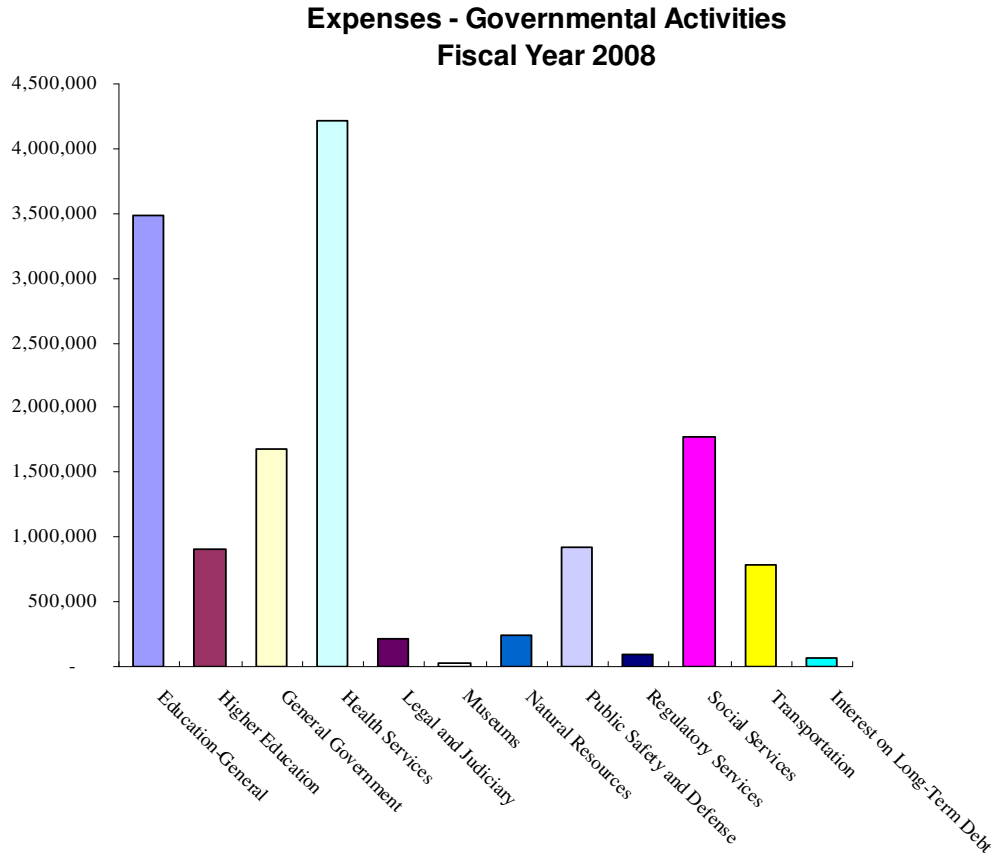
The State's net assets increased by $717 million or 5.4%. Approximately 54 percent of the State's total revenue came from taxes, while 37 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided 9.6 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general education, social services, and health services. In 2008, governmental activity expenses exceeded program revenues, resulting in the use of $7.9 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2008 by $146 million.

State of Oklahoma's Changes in Net Assets-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	$ 1,005,105	$ 927,669	$ 479,718	$ 539,228	$ 1,484,823	$ 1,466,897
Operating Grants and Contributions	5,528,650	5,370,772	33,862	34,457	5,562,512	5,405,229
General Revenues:						
Income Taxes-Individual	2,753,040	2,654,294			2,753,040	2,654,294
Income Taxes-Corporate	552,193	772,668			552,193	772,668
Sales Taxes	2,107,116	1,968,931			2,107,116	1,968,931
Gross Production Taxes	1,114,950	822,888			1,114,950	822,888
Motor Vehicle Taxes	604,926	609,669			604,926	609,669
Fuel Taxes	419,617	401,992			419,617	401,992
Other Taxes	629,404	744,285			629,404	744,285
Investment Earnings	247,191	192,733			247,191	192,733
Other	68,018	50,828			68,018	50,828
Total Revenues	15,030,210	14,516,729	513,580	573,685	15,543,790	15,090,414
Expenses:						
Education-General	3,479,319	3,285,059			3,479,319	3,285,059
Education-Payments to Higher Education	910,385	936,404			910,385	936,404
General Government	1,680,106	1,712,841			1,680,106	1,712,841
Health Services	4,214,407	3,954,939			4,214,407	3,954,939
Legal and Judiciary	222,319	213,955			222,319	213,955
Museums	32,164	17,834			32,164	17,834
Natural Resources	249,235	271,734			249,235	271,734
Public Safety and Defense	926,959	829,663			926,959	829,663
Regulatory Services	95,653	110,218			95,653	110,218
Social Services	1,782,333	1,797,721			1,782,333	1,797,721
Transportation	791,993	482,831			791,993	482,831
Interest on Long-Term Debt	74,108	69,769			74,108	69,769
Unemployment Insurance Trust Fund	-	-	194,549	177,914	194,549	177,914
State Loan Program to Local Governments	-	-	27,016	28,015	27,016	28,015
Lottery Commission	-	-	145,951	145,028	145,951	145,028
Total Expenses	14,458,981	13,682,968	367,516	350,957	14,826,497	14,033,925
Increase (Decrease) in Net Assets Before Transfers	571,229	833,761	146,064	222,728	717,293	1,056,489
Transfers	68,323	69,972	(68,323)	(69,972)	-	-
Change in Net Assets	639,552	903,733	77,741	152,756	717,293	1,056,489
Net Assets, Beginning of Year (as restated)	12,131,661	11,250,507	1,215,722	1,062,966	13,347,383	12,313,473
Net Assets, End of Year	$ 12,771,213	$ 12,154,240	$ 1,293,463	$ 1,215,722	$ 14,064,676	$ 13,369,962



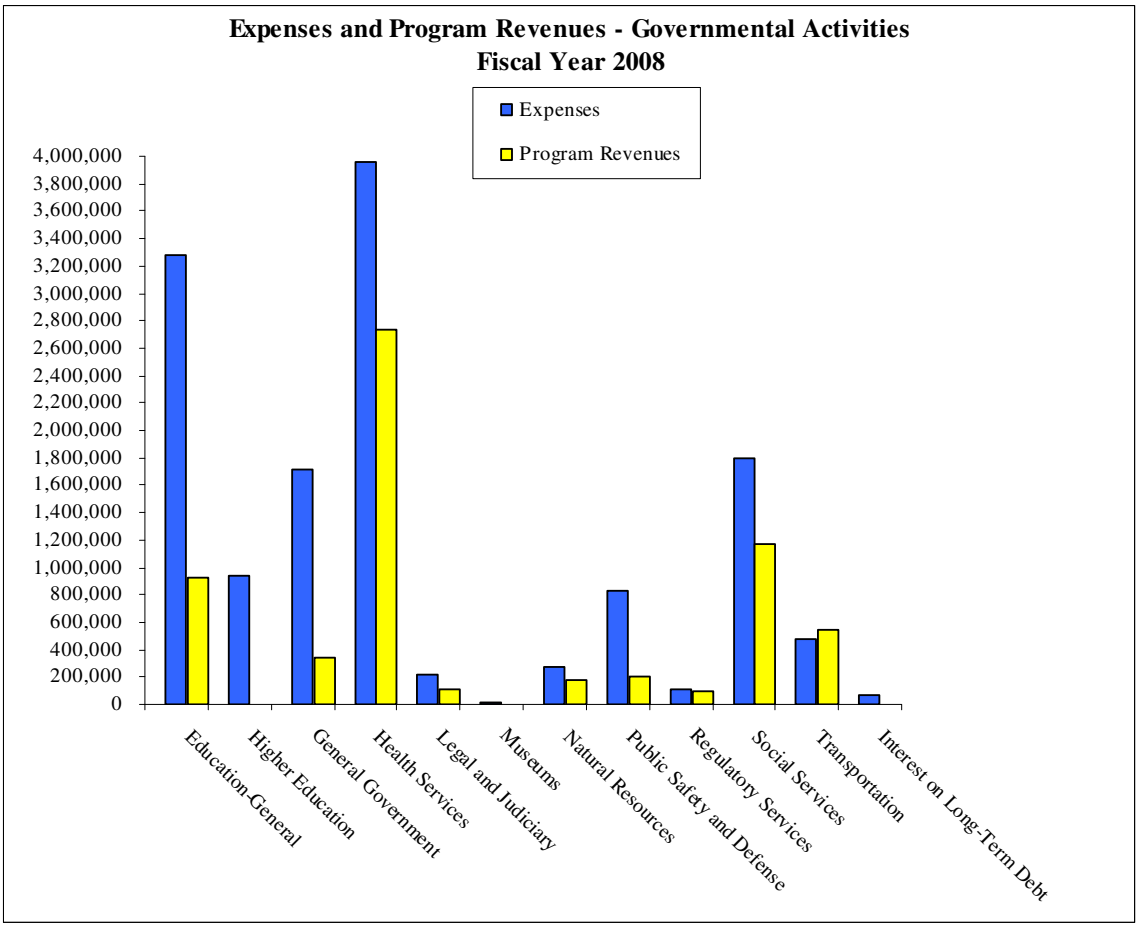


Governmental Activities

Governmental activities increased the State's net assets by $640 million. Tax revenues were up in most major types. Total revenues were up by $513 million, or 3.5% in 2008. Most of this increase came from gross production taxes and sales taxes. The State showed a $292 million increase in gross production taxes, a $138 million increase in sales taxes, and a $220 million decrease in corporate income taxes during 2008.

A comparison of the cost of services by function for the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands):

	Governmental Activities
Expenses Net of Program Revenues:	
Education-General	$ (2,761,801)
Education-Payment to Higher Education	(910,385)
General Government	(1,395,476)
Health Services	(1,369,600)
Legal and Judiciary	(106,352)
Museums	(29,332)
Natural Resources	(70,773)
Public Safety and Defense	(671,614)
Regulatory Services	9,981
Social Services	(484,583)
Transportation	(61,183)
Interest on Long-Term Debt	(74,108)
Total Governmental Activities Expenses	(7,925,226)
General Revenues:	
Taxes	8,181,246
Investment Earnings	247,191
Contributions to Permanent Funds	68,018
Transfers	68,323
Increase in Governmental Activities Net Assets	$ 639,552



Business-Type Activities

The business-type activities increased the State's net assets in business-type activities by $78 million, a 6.4% increase, to $1.3 billion. This increase is less than last year's 14.4% increase from 2007. The increase primarily resulted from a $51.6 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF) and a $24 million net asset increase by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units. Unemployment benefit payments increased over last year by $17 million or 9.4%. In addition, the Oklahoma Lottery Commission had an increase in net assets of $1.8 million.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $6.3 billion, an increase of $142 million from the prior year. More than one half ($3.5 billion or 56%) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year ($340 million), 2) to pay debt service ($134 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues ($2.0 billion) or 4) for a variety of other restricted purposes ($384 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was $3.5 billion, while the total fund balance increased $113 million to $4.3 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24.2% of total general fund expenditures (down from 24.6% a year ago), while total fund balance represents 29.5% of that same amount (down from 30%).

Overall the fund balance of the State's general fund increased by $113 million during the current fiscal year. This 2.7% increase from the prior year is primarily due to increased tax collections.

The Commissioners of the Land Office manage land and cash set aside by the Federal Government for the use and benefit of public education in Oklahoma to generate maximum earnings for Trust beneficiaries. The Trust beneficiaries are common education and thirteen Oklahoma colleges and universities. This year total program revenues were $73 million compared to $272 million of the prior year. Distributions to beneficiaries totaled $76 million for fiscal year 2008 with $20 million disbursed to universities and colleges and $53 million disbursed to public schools. This was an increase of $9 million from the apportionments of fiscal year 2007.

The Department of Wildlife's Lifetime Licenses fund balance increased by 1% to $80.9 million. This increase occurred due to increases in both license revenue and investment revenue over the previous year.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a $39.3 million net increase in fund balance with $68 million coming in from the settlement payment by tobacco manufacturers for 2008. The prior year's payment was about $47.6 million. The state now has $415.6 million in the permanent fund.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the State's net assets increased by $78 million as a result of operations in the proprietary funds. This resulted from a $51.6 million increase in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF), an increase in net assets of $24 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities, and an increase in net assets of $1.9 million by the Oklahoma Lottery Commission.

The OUITF increased in net assets although payments for unemployment benefits increased $17 million during 2008. Operating revenues decreased $47.8 million overall, mostly from a decrease in collections (sales and services). Federal grants revenues increased by $4.3 million from the previous year.

The OWRB increased net assets by $24.3 million which was $14.5 million less than the $38.8 million in the prior year. Federal grant revenues decreased by $14.9 million from the previous year.

The Oklahoma Lottery Commission had an increase in net assets of $1.8 million. Operating revenues were $214 million, while operating expenses were $142 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget were relatively minor ($164 million increase in appropriations). Significant differences are summarized as follows:

The Department of Corrections received $34.2 million in supplemental appropriations to help offset increased costs and to secure the necessary prison beds to protect public safety.

The Oklahoma State Department of Education received $16.1 million in supplemental appropriations to the Ad Valorem Reimbursement Fund. This fund was created to reimburse local school districts for lost tax revenue due to tax incentives given to entice new business and economic growth. Another $56.9 million was appropriated to compensate for budget shortfalls to the Department of Education.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to $15.4 billion, net of accumulated depreciation of $7.3 billion, leaving a net book value of $8.1 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was about 5.3% in terms of net book value. Actual expenditures to purchase or construct assets that are capitalized were $828 million for the year, a $32 million (4.0%) increase from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled $369.5 million. Additional information on the State's capital assets can be found in Note 5 of the notes to the financial statements of this report.

Debt Administration

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Council of Bond Oversight. The commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation that created the bond oversight commissions also created the position of State Bond Advisor, who advises the commissions, and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

The State of Oklahoma's total debt decreased by $137 million, or 7.3%, during the current fiscal year. The decrease in long-term obligations of governmental activities was primarily due to normal debt extinguishment and a reduction in claims and judgments payable. Business-type activities' debt decreased by $35 million as long-term revenue bonds were paid down through normal debt extinguishment.

Additional information on the State's long-term debt obligations can be found in Notes 9, 10, and 11 of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Oklahoma unemployment rate was consistently lower than that for the nation between 1997 and 2007. The national unemployment rate is currently 5% while Oklahoma's still remains less at 4.4% for the same time period.

Inflationary trends in the region continue to compare favorably to national indices as well.

These factors are considered by legislative leaders and management in preparing the State's budget for future years. (See below.)

During fiscal year 2008, unreserved fund balance in the general fund increased $56 million to $3.5 billion, with $565 million of this in the Cash Flow Reserve Fund and $597 million in the State's Rainy Day Fund leaving $2.3 billion as undesignated. This $2.3 billion is roughly 15.8% of the total governmental fund expenditures for the year.

Budget and Revenue Collections

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the State's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the State's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of State Finance has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases. Oklahoma experienced a significant increase in revenue in 2007 over 2006 and increase in 2008 over 2007 although significantly less than the increase of 2007. The same factors that improved revenue collections during 2005 continued throughout fiscal year 2006, 2007, and into 2008. As a result, the balances in the Rainy Day Fund increased from $571 to $597 million, providing a sizeable reserve in the event of an economic slowdown.

Fiscal Year 2009

Revenue collections continue to keep pace in the current fiscal year. In the first five months, General Revenue Fund collections are $143.6 million (or 6.2%) above estimated collections and $199.6 million (or 8.6%) above prior year collections. Gross production taxes are primarily responsible for the revenue increases. New projections anticipate that the decrease in market price of oil and gas will level out collections through the rest of the fiscal year. Based on these projections, the likelihood of budget cuts are remote.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of State Finance, 2300 N. Lincoln, Suite 122, Oklahoma City, OK 73105-4801.

Basic Financial Statements

Basic Financial Statements

Government-wide Financial Statements

Government-wide Financial Statements

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State of Oklahoma
Government Wide
Statement of Net Assets
June 30, 2008
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets				
Cash/Cash Equivalents	$ 3,673,185	$ 896,914	$ 4,570,099	$ 1,036,260
Investments	604,680	4,033	608,713	2,335,406
Securities Lending Investments	1,696,222	0	1,696,222	245,018
Accounts Receivable	29,833	23,131	52,964	326,143
Interest and Investment Revenue Receivable	41,491	6,306	47,797	39,123
Federal Grants Receivable	500,222	528	500,750	2,265
Taxes Receivable	262,742	0	262,742	0
Leases Receivable	6,918	0	6,918	0
Leases Receivable - Component Units	16,357	0	16,357	0
Other Receivables	326	353	679	84,719
Notes Receivable	0	40,934	40,934	51,174
Internal Balances	17,248	(17,248)	0	0
Receivable from External Parties	207	0	207	10,644
Due from Component Units	2,023	0	2,023	29,524
Due from Primary Government	0	0	0	298,749
Inventory	46,878	0	46,878	74,214
Prepaid Items	944	0	944	17,337
Other Current Assets	5,111	0	5,111	4,649
Total Current Assets	6,904,387	954,951	7,859,338	4,555,225
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	82,095	75,437	157,532	370,781
Short-Term Investments - Restricted	0	0	0	1,673,176
Long-Term Investments	0	224,428	224,428	1,665,921
Long-Term Investments - Restricted	1,904,521	0	1,904,521	0
Leases Receivable	18,291	0	18,291	0
Leases Receivable - Component Units	505,514	0	505,514	0
Long-Term Notes Receivable, Net	0	598,871	598,871	164,197
Long-Term Notes Receivable, Net - Restricted	0	0	0	1,217,106
Long-Term Due from Component Units	49,216	0	49,216	0
Capital Assets - Depreciable, Net	6,495,382	771	6,496,153	4,264,210
Capital Assets - Land	1,485,216	0	1,485,216	339,151
Capital Assets - Construction in Progress	79,302	0	79,302	732,366
Other Noncurrent Assets	15,195	5,017	20,212	327,332
Other Noncurrent Assets - Restricted	34,550	0	34,550	46,197
Total Noncurrent Assets	10,669,282	904,524	11,573,806	10,800,437
Total Assets	17,573,669	1,859,475	19,433,144	15,355,662

The Notes to the Financial Statements are an integral part of this statement.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	771,966	11,990	783,956	370,812
Payable Under Securities Lending Agreements	1,696,222	0	1,696,222	245,018
Claims and Judgments	7,685	0	7,685	296,935
Interest Payable	34,367	5,664	40,031	91,619
Tax Refunds Payable	8,947	0	8,947	0
Payable to External Parties	19,320	0	19,320	531
Due to Component Units	294,736	0	294,736	29,524
Due to Primary Government	0	0	0	2,023
Due to Others	164,877	0	164,877	0
Unearned Revenue	80,165	563	80,728	187,122
Capital Leases	1,787	0	1,787	18,891
Capital Leases - Primary Government	0	0	0	16,633
Compensated Absences	90,372	236	90,608	73,829
Notes Payable	10,528	0	10,528	144,064
General Obligation Bonds	15,200		15,200	1,760
Revenue Bonds	64,090	36,415	100,505	238,577
Bond Issue Premiums	4,179	0	4,179	0
Other Current Liabilities	3,691	2,310	6,001	174,777
Total Current Liabilities	3,268,132	57,178	3,325,310	1,892,115
Noncurrent Liabilities				
Claims and Judgments	12,887	0	12,887	787,024
Due to Primary Government	0	0	0	48,359
Pension Obligation	4,359	0	4,359	0
Capital Leases	3,295	0	3,295	170,978
Capital Leases - Primary Government	0	0	0	505,558
Compensated Absences	66,796	0	66,796	25,203
Notes Payable	201,042	0	201,042	479,883
General Obligation Bonds	203,755	0	203,755	53,457
Revenue Bonds	997,480	508,485	1,505,965	4,544,557
Bond Issue Premiums	44,710	0	44,710	0
Other Noncurrent Liabilities	0	349	349	249,694
Total Noncurrent Liabilities	1,534,324	508,834	2,043,158	6,864,713
Total Liabilities	4,802,456	566,012	5,368,468	8,756,828
Net Assets				
Invested in Capital Assets, Net of Related Debt	7,118,384	771	7,119,155	2,038,699
Restricted for:				
Capital Projects	79,866	0	79,866	0
Debt Service	133,958	205,271	339,229	241,155
Preservation of Wildlife	80,860	0	80,860	0
Educational Systems	1,555,953	0	1,555,953	0
Unemployment Benefits	0	870,338	870,338	0
Other Purposes				
Expendable	35,859	208,064	243,923	1,540,642
Nonexpendable	397,567	0	397,567	1,121,451
Unrestricted	3,368,766	9,019	3,377,785	1,656,887
Total Net Assets	$ 12,771,213	$ 1,293,463	$ 14,064,676	$ 6,598,834

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Government Wide
Statement of Activities
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental Activities:								
Education-General	$ 3,479,319	$ 29,995	$ 687,523	$ 0	$ (2,761,801)		$ (2,761,801)	
Education-Payment to Higher Education	910,385	0	0	0	(910,385)		(910,385)	
General Government	1,680,106	222,663	61,967	0	(1,395,476)		(1,395,476)	
Health Services	4,214,407	140,691	2,704,116	0	(1,369,600)		(1,369,600)	
Legal and Judiciary	222,319	99,069	16,898	0	(106,352)		(106,352)	
Museums	32,164	1,985	847	0	(29,332)		(29,332)	
Natural Resources	249,235	99,918	78,544	0	(70,773)		(70,773)	
Public Safety and Defense	926,959	61,215	194,130	0	(671,614)		(671,614)	
Regulatory Services	95,653	100,313	5,321	0	9,981		9,981	
Social Services	1,782,333	157,818	1,139,932	0	(484,583)		(484,583)	
Transportation	791,993	91,438	639,372	0	(61,183)		(61,183)	
Interest on Long-Term Debt	74,108	0	0	0	(74,108)		(74,108)	
Total Governmental Activities	14,458,981	1,005,105	5,528,650	0	(7,925,226)		(7,925,226)	
Business-Type Activities:								
Employment Security Commission	194,549	227,733	18,454	0		$ 51,638	51,638	
Water Resources Board	27,016	37,585	14,264	0		24,833	24,833	
Lottery Commission	145,951	214,400	1,144	0		69,593	69,593	
Total Business-Type Activities	367,516	479,718	33,862	0		146,064	146,064	
Total Primary Government	$ 14,826,497	$ 1,484,823	$ 5,562,512	$ 0	(7,925,226)	146,064	(7,779,162)	
Component Units:								
CompSource Oklahoma	$ 297,941	$ 347,019	$ 0	$ 0				$ 49,078
State and Education Employees Group Insurance Board	587,811	602,576	0	0				14,765
Oklahoma Student Loan Authority	66,707	60,391	0	0				(6,316)
Oklahoma Housing Finance Agency	172,313	54,417	126,215	0				8,319
Oklahoma Turnpike Authority	194,754	216,160	0	0				21,406
Grand River Dam Authority	223,182	314,287	0	0				91,105
Oklahoma Municipal Power Authority	155,014	156,966	0	0				1,952
Higher Education	3,544,891	3,058,217	140,779	0				(345,895)
Nonmajor Component Units	222,472	170,181	2,090	395				(49,806)
Total Component Units	$ 5,465,085	$ 4,980,214	$ 269,084	$ 395				(215,392)
General Revenues								
Taxes:								
Income Taxes-Individual					2,753,040	0	2,753,040	0
Income Taxes-Corporate					552,193	0	552,193	0
Sales Tax					2,107,116	0	2,107,116	0
Gross Production Taxes					1,114,950	0	1,114,950	0
Motor Vehicle Taxes					604,926	0	604,926	0
Fuel Taxes					419,617	0	419,617	0
Tobacco Taxes					237,166	0	237,166	0
Other Personal Taxes					83,142	0	83,142	0
Insurance Taxes					100,778	0	100,778	0
Beverage Taxes					86,648	0	86,648	0
Other Taxes					121,670	0	121,670	0
Payments from Primary Government					0	0	0	983,761
Investment Earnings					247,191	0	247,191	0
Contributions to Permanent Funds					68,018	0	68,018	0
Transfers					68,323	(68,323)	0	0
Total General Revenues and Transfers					8,564,778	(68,323)	8,496,455	983,761
Change in Net Assets					639,552	77,741	717,293	768,369
Net Assets - Beginning of Year (as restated)					12,131,661	1,215,722	13,347,383	5,830,465
Net Assets - End of Year					$ 12,771,213	$ 1,293,463	$ 14,064,676	$ 6,598,834

The Notes to the Financial Statements are an integral part of this statement.

Fund Financial Statements

Fund Financial Statements

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State of Oklahoma
Balance Sheet
Governmental Funds
June 30, 2008
(expressed in thousands)

	General	Permanent Funds			Total Governmental Funds
		Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	
Assets					
Assets					
Cash/Cash Equivalents	$ 3,608,522	$ 83,494	$ 13,395	$ 49,869	$ 3,755,280
Investments	604,980	1,446,584	67,346	390,291	2,509,201
Securities Lending Investments	1,647,155	0	0	49,067	1,696,222
Accounts Receivable	29,833	0	0	0	29,833
Interest and Investment Revenue Receivable	41,491	11,376	0	3,189	56,056
Federal Grants Receivable	500,222	0	0	0	500,222
Taxes Receivable	262,742	0	0	0	262,742
Leases Receivable	25,209	0	0	0	25,209
Leases Receivable-Component Units	521,871	0	0	0	521,871
Other Receivables	326	13,735	0	48	14,109
Due from Other Funds	17,275	0	112	0	17,387
Due from Fiduciary Funds	207	0	0	0	207
Due from Component Units	2,023	0	0	0	2,023
Due from Component Units-Noncurrent	49,216	0	0	0	49,216
Inventory	46,878	0	0	0	46,878
Prepaid Items	944	0	0	0	944
Other Assets	5,104	6,202	7	0	11,313
Total Assets	$ 7,363,998	$ 1,561,391	$ 80,860	$ 492,464	$ 9,498,713
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Liabilities	$ 743,796	$ 377	$ 0	$ 27,793	$ 771,966
Payable Under Securities Lending Agreements	1,647,155	0	0	49,067	1,696,222
Interest Payable	10,347	0	0	0	10,347
Tax Refunds Payable	8,947	0	0	0	8,947
Due to Other Funds	112	0	0	27	139
Due to Fiduciary Funds	19,320	0	0	0	19,320
Due to Component Units	294,736	0	0	0	294,736
Due to Others	164,877	0	0	0	164,877
Deferred Revenue	207,325	5,061	0	0	212,386
Other Liabilities	3,691	0	0	0	3,691
Total Liabilities	3,100,306	5,438	0	76,887	3,182,631
Fund Balances					
Reserved					
Encumbrances	339,841	0	0	0	339,841
Inventory/Prepaid Items	47,110	0	0	0	47,110
Debt Service	133,958	0	0	0	133,958
Capital Construction	79,866	0	0	0	79,866
Preservation of Wildlife	0	0	63,011	0	63,011
Permanent Trust	0	1,555,953	0	397,567	1,953,520
Undistributed Revenue	0	0	17,849	18,010	35,859
Other Special Purposes	157,927	0	0	0	157,927
Unreserved, reported in					
General Fund					
Designated for Cash Flow Reserve Fund	564,907	0	0	0	564,907
Designated for Rainy Day Fund	596,573	0	0	0	596,573
Undesignated	2,343,510	0	0	0	2,343,510
Total Fund Balances	4,263,692	1,555,953	80,860	415,577	6,316,082
Total Liabilities and Fund Balances	$ 7,363,998	$ 1,561,391	$ 80,860	$ 492,464	

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds		$ 6,316,082
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :		
Land	$ 1,485,216	
Buildings and Improvements	1,024,323	
Equipment	359,250	
Infrastructure	12,426,950	
Construction in Progress	79,302	
Accumulated Depreciation	(7,315,141)	
		8,059,900
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		132,221
The Uniform Retirement System for Judges and Justices and the Oklahoma Law Enforcement Retirement System have under funded their Annual Required Contributions, creating a net pension obligation. This liability is not payable from current available financial resources and is not reported in the funds.		(2,639)
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		5,774
Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net assets.		9,421
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Notes Payable	(211,570)	
General Obligation and Revenue Bonds	(1,280,525)	
Capital Leases and Certificates of Participation	(5,082)	
Net Pension Obligation (Wildlife)	(1,720)	
Bond Issue Premium	(48,889)	
Accrued Interest on Bonds	(24,020)	
Compensated Absences	(157,168)	
Claims and Judgements	(20,572)	
		(1,749,546)
Net Assets of Governmental Activities		$ 12,771,213

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

		Permanent Funds			
	General	Commissioners of the Land Office	Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Revenues					
Taxes					
Income Taxes-Individual	$ 2,753,040	$ 0	$ 0	$ 0	$ 2,753,040
Sales Tax	2,107,116	0	0	0	2,107,116
Gross Production Taxes	1,114,950	0	0	0	1,114,950
Income Taxes-Corporate	552,193	0	0	0	552,193
Motor Vehicle Taxes	604,926	0	0	0	604,926
Fuel Taxes	419,617	0	0	0	419,617
Tobacco Taxes	237,166	0	0	0	237,166
Other Personal Taxes	83,142	0	0	0	83,142
Insurance Taxes	100,778	0	0	0	100,778
Beverage Taxes	86,648	0	0	0	86,648
Other Taxes	121,670	0	0	0	121,670
Licenses, Permits and Fees	321,037	0	2,866	0	323,903
Interest and Investment Revenue	351,176	61,867	1,277	(15,314)	399,006
Federal Grants	5,503,532	0	0	0	5,503,532
Sales and Services	160,278	11,375	1,464	0	173,117
Other Grants and Reimbursements	341,225	0	0	0	341,225
Fines and Penalties	40,181	0	0	0	40,181
Other	25,597	0	0	68,017	93,614
Total Revenues	14,924,272	73,242	5,607	52,703	15,055,824
Expenditures					
Current					
Education	4,305,744	81,684	0	0	4,387,428
General Government	1,681,350	0	0	13,408	1,694,758
Health Services	4,200,188	0	0	0	4,200,188
Legal and Judiciary	215,942	0	0	0	215,942
Museums	31,586	0	0	0	31,586
Natural Resources	263,551	0	0	0	263,551
Public Safety and Defense	876,660	0	0	0	876,660
Regulatory Services	93,438	0	0	0	93,438
Social Services	1,755,810	0	0	0	1,755,810
Transportation	286,540	0	0	0	286,540
Capital Outlay	1,010,262	0	0	0	1,010,262
Debt Service					
Principal Retirement	126,103	0	0	0	126,103
Interest and Fiscal Charges	74,108	0	0	0	74,108
Total Expenditures	14,921,282	81,684	0	13,408	15,016,374
Revenues in Excess of (Less Than) Expenditures	2,990	(8,442)	5,607	39,295	39,450
Other Financing Sources (Uses)					
Transfers In	76,576	0	0	0	76,576
Transfers Out	(31)	(3,509)	(4,713)	0	(8,253)
Bonds Issued	23,000	0	0	0	23,000
Capital Leases and Certificates of Participation	2,873	0	0	0	2,873
Sale of Capital Assets	7,860	0	0	0	7,860
Total Other Financing Sources (Uses)	110,278	(3,509)	(4,713)	0	102,056
Net Change in Fund Balances	113,268	(11,951)	894	39,295	141,506
Fund Balances - Beginning of Year (as restated)	4,150,424	1,567,904	79,966	376,282	6,174,576
Fund Balances - End of Year	$ 4,263,692	$ 1,555,953	$ 80,860	$ 415,577	$ 6,316,082

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds		
Amounts reported for governmental activities in the statement of activities are different because:	$	141,506
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($776,181) exceeded depreciation ($369,179) in the current period.		407,002
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(12,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(22,125)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments ($123,673) exceeded bond proceeds ($23,000) and note proceeds ($10).		100,663
Contributions to certain pension plans use current financial resources from governmental funds, and can decrease the net pension obligation ($2,656) and the net pension asset ($11,283) in the statement of activities.		(13,939)
Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net assets. This is the amount by which the addition of new capital leases ($2,871) exceeds the payment of principal ($2,430) on capital leases.		(441)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the accretion of bond premiums ($4,178) is exceeded by the increase in interest payable ($6,111) and the increase in compensated absences ($1,670) combined with the amortization of bond issuance costs ($604), the amortization of loss on refunded bonds ($1,537) and the bond issuance costs ($89). This amount also includes liabilities for claims and judgements that will not be paid from current financial resources ($33,164).		39,731
Change in Net Assets of Governmental Activities	$	639,552

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2008
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Assets				
Current Assets				
Cash/Cash Equivalents	$ 856,129	$ 20,741	$ 20,044	$ 896,914
Investments	0	4,033	0	4,033
Accounts Receivable	14,191	0	8,940	23,131
Interest and Investment Revenue Receivable	0	6,306	0	6,306
Federal Grants Receivable	0	528	0	528
Other Receivables	353	0	0	353
Notes Receivable	0	40,934	0	40,934
Total Current Assets	870,673	72,542	28,984	972,199
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	0	68,816	6,621	75,437
Long-Term Investments	0	224,428	0	224,428
Long-Term Notes Receivable	0	598,871	0	598,871
Capital Assets, Net	0	150	621	771
Other Noncurrent Assets	0	2,619	2,398	5,017
Total Noncurrent Assets	0	894,884	9,640	904,524
Total Assets	870,673	967,426	38,624	1,876,723
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	323	34	11,633	11,990
Interest Payable	0	5,664	0	5,664
Compensated Absences	0	177	59	236
Deferred Revenue	0	0	563	563
Revenue Bonds	0	36,415	0	36,415
Due to Other Funds	12	507	16,729	17,248
Other Current Liabilities	0	2,310	0	2,310
Total Current Liabilities	335	45,107	28,984	74,426
Noncurrent Liabilities				
Revenue Bonds	0	508,485	0	508,485
Other Noncurrent Liabilities	0	349	0	349
Total Noncurrent Liabilities	0	508,834	0	508,834
Total Liabilities	335	553,941	28,984	583,260
Net Assets				
Invested in Capital Assets, net of related debt	0	150	621	771
Restricted for:				
Debt Service	0	205,271	0	205,271
Other Purposes	870,338	208,064	0	1,078,402
Unrestricted	0	0	9,019	9,019
Total Net Assets	$ 870,338	$ 413,485	$ 9,640	$ 1,293,463

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Operating Revenues				
Sales and Services	$ 185,202	$ 0	$ 214,393	$ 399,595
Federal Grants	2,891	2,983	0	5,874
Interest and Investment Revenue	0	18,798	0	18,798
Other	1,818	0	7	1,825
Total Operating Revenues	189,911	21,781	214,400	426,092
Operating Expenses				
Facilities Operations and Maintenance	0	0	272	272
Administrative and General	0	3,974	9,258	13,232
Prizes, Comissions and Other	0	0	132,342	132,342
Interest	0	22,920	0	22,920
Depreciation	0	67	245	312
Benefit Payments and Refunds	194,549	0	0	194,549
Total Operating Expenses	194,549	26,961	142,117	363,627
Operating Income (Loss)	(4,638)	(5,180)	72,283	62,465
Nonoperating Revenues (Expenses)				
Interest and Investment Revenue	40,713	14,100	1,144	55,957
Other Nonoperating Revenues	0	164	0	164
Nonoperating Federal Grants	15,563	15,804	0	31,367
Other Nonoperating Expenses	0	(55)	(3,834)	(3,889)
Total Nonoperating Revenues (Expenses)	56,276	30,013	(2,690)	83,599
Income (Loss) Before Transfers	51,638	24,833	69,593	146,064
Transfers In	0	31	0	31
Transfers Out	0	(579)	(67,775)	(68,354)
Change in Net Assets	51,638	24,285	1,818	77,741
Total Net Assets - Beginning of Year	818,700	389,200	7,822	1,215,722
Total Net Assets - Ending	$ 870,338	$ 413,485	$ 9,640	$ 1,293,463

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

	Business-Type Activities - Enterprise Funds			
	Employment Security Commission	Water Resources Board	Lottery Commission	Total
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 187,394	$ 0	$ 201,910	$ 389,304
Receipts from Federal Grants	0	3,078	0	3,078
Payments of Benefits	(194,295)	0	0	(194,295)
Payments to Suppliers	0	(2,139)	(12,201)	(14,340)
Payments to Employees	0	(1,916)	(2,959)	(4,875)
Payments to Prize Winners	0	0	(113,259)	(113,259)
Collections of Interest on Loans to Governmental Units	0	19,062	0	19,062
Payments of Operating Interest Expense	0	(24,643)	0	(24,643)
Net Cash Provided (Used) by Operating Activities	(6,901)	(6,558)	73,491	60,032
Cash Flows from Noncapital Financing Activities				
Federal Grants and Other Contributions	15,564	15,807	0	31,371
Transfers In	0	217	0	217
Transfers Out	0	(579)	(67,776)	(68,355)
Deposit with Multi-State Lottery	0	0	(820)	(820)
Principal Paid on Bonds and Notes Payable	0	(34,180)	0	(34,180)
Net Cash Provided (Used) by Noncapital Financing Activities	15,564	(18,735)	(68,596)	(71,767)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquistion of Capital Assets	0	(50)	(6)	(56)
Net Cash Used by Capital and Related Financing Activities	0	(50)	(6)	(56)
Cash Flows from Investing Activities				
Interest and Investment Revenue	40,712	14,292	1,133	56,137
Proceeds from Sale and Maturity of Investments	0	20,984	0	20,984
Payments to Purchase Investments	0	39,201	0	39,201
Collections of Principal on Loans to Governmental Units	0	48,724	0	48,724
Payments to Issue Notes Receivable	0	(81,573)	0	(81,573)
Net Cash Provided by Investing Activities	40,712	41,628	1,133	83,473
Net Increase in Cash/Cash Equivalents	49,375	16,285	6,022	71,682
Cash/Cash Equivalents - Beginning of Year	806,754	73,272	20,643	900,669
Cash/Cash Equivalents - End of Year	$ 856,129	$ 89,557	$ 26,665	$ 972,351
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	$ (4,638)	$ (5,180)	$ 72,283	$ 62,465
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	0	67	245	312
Amortization (Accretion) and Other Noncash Expenses	0	(751)	28	(723)
Decrease (Increase) in Assets				
Accounts Receivable	(2,517)	(37)	47,564	45,010
Interest and Investment Receivable	0	300	0	300
Other Receivables	0	8	42	50
Increase (Decrease) in Liabilities				
Accounts Payable and Accrued Liabilities	254	37	382	673
Interest Payable	0	(757)	0	(757)
Prizes Payable	0	0	(46,450)	(46,450)
Compensated Absences	0	60	0	60
Arbitrage Rebate Payable	0	7	0	7
Due to other funds	0	0	(808)	(808)
Deferred Revenue	0	0	205	205
Other Current Liabilities	0	(312)	0	(312)
Net Cash Provided (Used) by Operating Activities	$ (6,901)	$ (6,558)	$ 73,491	$ 60,032

The Notes to the Financial Statements are an integral part of this statement.

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State of Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
June 30, 2008
(expressed in thousands)

	Pension Trust Funds	Agency Fund
Assets		
Cash/Cash Equivalents	$ 566,644	$ 469,319
Investments, at fair value		
Equity Securities	9,665,492	0
Governmental Securities	3,651,179	0
Debt Securities	2,713,138	0
Mutual Funds	2,882,431	0
Other Investments	466,478	85
Securities Lending Investments	2,892,068	0
Taxes Receivable	0	12,979
Accounts Receivable	0	108
Interest and Investment Revenue Receivable	61,131	0
Employer Contributions Receivable	39,521	0
Employee Contributions Receivable	27,891	0
Other Contributions Receivable	31,740	0
Other Receivables	357	0
Due from Brokers	681,721	0
Due from Other Funds	19,320	0
Due from Component Units	0	531
Inventory	0	6,566
Capital Assets, Net	882	0
Other Assets	131	0
Total Assets	23,700,124	$ 489,588
Liabilities		
Accounts Payable	3,068	$ 1,208
Tax Refunds Payable	0	1,496
Securities Lending Payable	2,892,068	0
Due to Brokers	1,082,919	0
Due to Other Funds	7	200
Due to Component Units	8,406	6,632
Due to Others	0	480,038
Benefits in the Process of Payment	81,625	0
Other Liabilities	8,279	14
Total Liabilities	4,076,372	$ 489,588
Net Assets		
Held in Trust for Pension Benefits and Pool Participants	$ 19,623,752	

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Statement of Changes in
Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

	Pension Trust Funds
Additions	
Contributions	
Employer Contributions	$ 598,514
Employee Contributions	406,648
Other Contributions	387,909
Total Contributions	1,393,071
Investment Earnings	
Net Increase (Decrease) in Fair Value of Investments	(1,619,657)
Interest and Investment Revenue	605,605
Total Investment Earnings	(1,014,052)
Less Investment Expenses	172,529
Net Investment Earnings	(1,186,581)
Total Additions	206,490
Deductions	
Administrative and General Expenses	15,394
Benefit Payments and Refunds	1,536,716
Total Deductions	1,552,110
Change in Net Assets	(1,345,620)
Net Assets - Beginning of Year (as restated)	20,969,372
Net Assets - End of Year	$ 19,623,752

The Notes to the Financial Statements are an integral part of this statement.

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MAJOR COMPONENT UNITS

The State of Oklahoma has eight major component units which are described below:

COMPSOURCE OKLAHOMA
P.O. Box 53505, Oklahoma City, Oklahoma 73152
The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD
3545 N.W. 58th Street, Suite 1000, Oklahoma City, Oklahoma 73112
The Board provides varying coverage of group health, dental, life, and disability benefits to active employees and retirees of the State, local governments, and education entities as well as certain other eligible participants. The Board is financed through employer and employee premiums.

OKLAHOMA STUDENT LOAN AUTHORITY
4545 N. Lincoln Blvd., Suite 66, Oklahoma City, Oklahoma 73105
The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

OKLAHOMA HOUSING FINANCE AGENCY
100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116
The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

OKLAHOMA TURNPIKE AUTHORITY
P.O. Box 11357, Oklahoma City, Oklahoma 73136
The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

GRAND RIVER DAM AUTHORITY
P.O. Box 409, Vinita, Oklahoma 74301
The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

OKLAHOMA MUNICIPAL POWER AUTHORITY
P.O. Box 1960, Edmond, Oklahoma 73083
The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

HIGHER EDUCATION
Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher Education. The System includes the following colleges and universities:

COMPREHENSIVE UNIVERSITIES
University of Oklahoma
Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES
University of Central Oklahoma
East Central University
Northeastern State University
Northwestern Oklahoma State University
Southeastern Oklahoma State University
Southwestern Oklahoma State University
Cameron University
Langston University
Oklahoma Panhandle State University
Rogers State University
University of Science and Arts of Oklahoma

TWO YEAR COLLEGES
Carl Albert State College
Connors State College
Eastern Oklahoma State College
Redlands Community College
Murray State College
Northeastern Oklahoma A & M College
Northern Oklahoma College
Oklahoma City Community College
Rose State College
Seminole State College
Tulsa Community College
Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

Oklahoma State Regents for Higher Education serves as the coordinating board of control for the System.

Board of Regents of Oklahoma Colleges has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

Ardmore Higher Education Program was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System.

Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18 were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

State of Oklahoma
Combining Statement of Net Assets
Major Component Units
June 30, 2008
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	$ 28,340	$ 38,754	$ 720	$ 7,609	$ 28,607	$ 20,507	$ 1,765	$ 781,335	$ 128,623	$ 1,036,260
Investments	1,085,482	226,801	2,137	793	115,225	133,477	18,169	714,290	39,032	2,335,406
Securities Lending Investments	245,018	0	0	0	0	0	0		0	245,018
Accounts Receivable	0	20,681	0	2,689	1,284	34,591	11,483	250,901	4,514	326,143
Interest and Investment										
Revenue Receivable	9,712	580	235	84	1,666	1,371	737	24,039	699	39,123
Federal Grants Receivable	0	0	0	0	0	0	0	2,265	0	2,265
Other Receivables	2,863	8,875	0	0	0	0	0	72,774	207	84,719
Notes Receivable	43,090	0	0	0	0	0	0	6,330	1,754	51,174
Due from Fiduciary Funds	0	10,643	0	0	0	0	0	1	0	10,644
Due from Other Component Units	111	0	0	0	0	1,660	0	7,107	20,646	29,524
Due from Primary Government	1,860	70	0	0	5	41	0	292,311	4,462	298,749
Inventory	0	0	0	0	1,463	45,599	3,698	23,445	9	74,214
Prepaid Items	0	0	0	224	182	1,033	0	15,756	142	17,337
Other Current Assets	1,490	0	0	0	0	0	441	2,328	390	4,649
Total Current Assets	1,417,966	306,404	3,092	11,399	148,432	238,279	36,293	2,192,882	200,478	4,555,225
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	4,231	37,672	66,980	0	0	251,803	10,095	370,781
Investments - Restricted	0	0	14,741	699,206	120,134	120,152	144,554	513,276	61,113	1,673,176
Long-Term Investments										
Unrestricted	0	0	0	10,508	0	0	72,803	1,582,610	0	1,665,921
Long-Term Notes Receivable, Net										
Unrestricted	45,274	0	49,681	0	0	0	0	49,938	19,304	164,197
Restricted	0	0	1,208,354	8,752	0	0	0	0	0	1,217,106
Capital Assets										
Depreciable, Net	16,623	856	816	3,171	935,581	341,820	220,064	2,632,150	113,129	4,264,210
Land	1,179	0	0	550	162,596	27,277	0	143,414	4,135	339,151
Construction in Progress	0	0	0	0	82,243	44,531	25,859	516,539	63,194	732,366
Other Noncurrent Assets										
Unrestricted	6,714	0	367	0	7,086	7,027	113,998	169,898	22,242	327,332
Restricted	0	0	29,135	6,242	0	0	1,286	56	9,478	46,197
Total Noncurrent Assets	69,790	856	1,307,325	766,101	1,374,620	540,807	578,564	5,859,684	302,690	10,800,437
Total Assets	1,487,756	307,260	1,310,417	777,500	1,523,052	779,086	614,857	8,052,566	503,168	15,355,662

The Notes to the Financial Statements are an integral part of this statement.

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Turnpike Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	0	18,273	778	3,830	15,868	21,256	31,373	255,580	23,854	370,812
Payable Under Securities Lending Agreements	245,018	0	0	0	0	0	0	0	0	245,018
Claims and Judgments	193,526	87,665	0	0	0	0	0	2,768	12,976	296,935
Interest Payable	0	0	4,327	2,935	17,296	2,218	11,702	14,370	38,771	91,619
Due to Fiduciary Funds	0	0	0	0	1	530	0	0	0	531
Due to Other Component Units	163	0	0	0	41	0	1,659	27,450	211	29,524
Due to Primary Government	15	7	0	0	711	58	0	1,223	9	2,023
Deferred Revenue	67,002	0	0	450	20,233	0	0	99,366	71	187,122
Capital Leases	0	0	0	0	0	0	0	18,891	0	18,891
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	16,357	276	16,633
Compensated Absences	1,255	883	287	830	0	3,666	0	66,505	403	73,829
Notes Payable	0	0	115,000	0	0	0	1,329	26,670	1,065	144,064
General Obligation Bonds	0	0	0	0	0	0	0	0	1,760	1,760
Revenue Bonds	0	0	51,748	35,031	38,780	68,780	14,660	27,703	1,875	238,577
Other Current Liabilities	8,771	12,541	0	0	0	1,866	0	151,495	104	174,777
Total Current Liabilities	515,750	119,369	172,140	43,076	92,930	98,374	60,723	708,378	81,375	1,892,115
Noncurrent Liabilities										
Claims and Judgments	692,994	0	0	0	0	0	0	2,284	91,746	787,024
Due to Primary Government	0	0	0	0	48,359	0	0	0	0	48,359
Capital Leases	0	0	0	0	0	0	0	170,978	0	170,978
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	505,514	44	505,558
Compensated Absences	0	0	0	0	0	0	0	25,059	144	25,203
Notes Payable	0	0	166,414	0	0	0	51,807	216,594	45,068	479,883
General Obligation Bonds	0	0	0	0	0	0	0	0	53,457	53,457
Revenue Bonds	0	0	885,527	650,706	1,090,951	415,773	465,563	970,444	65,593	4,544,557
Other Noncurrent Liabilities	0	0	341	2,065	2	14,845	13,600	182,298	36,543	249,694
Total Noncurrent Liabilities	692,994	0	1,052,282	652,771	1,139,312	430,618	530,970	2,073,171	292,595	6,864,713
Total Liabilities	1,208,744	119,369	1,224,422	695,847	1,232,242	528,992	591,693	2,781,549	373,970	8,756,828
Net Assets										
Invested in Capital Assets, Net of Related Debt	17,802	856	816	3,721	43,086	72,505	(21,455)	1,789,373	131,995	2,038,699
Restricted for:										
Debt Service	0	0	0	41,487	90,728	42,339	19,662	46,937	2	241,155
Other Special Purpose										
Expendable	5,000	0	32,459	8,217	8,629	337	9,122	1,400,705	76,173	1,540,642
Nonexpendable	0	0	0	0	0	0	0	1,121,451	0	1,121,451
Unrestricted	256,210	187,035	52,720	28,228	148,367	134,913	15,835	912,551	(78,972)	1,656,887
Total Net Assets	$ 279,012	$ 187,891	$ 85,995	$ 81,653	$ 290,810	$ 250,094	$ 23,164	$ 5,271,017	$ 129,198	$ 6,598,834

The Notes to the Financial Statements are an integral part of this statement.

State of Oklahoma
Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

		Program Revenues				General Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
Component Units:									
CompSource Oklahoma	$ 297,941	$ 347,019	$ 0	$ 0	$ 49,078	$ 0	$ 49,078	$ 229,934	$ 279,012
State Education and Employees Group Insurance Board	587,811	602,576	0	0	14,765	0	14,765	173,126	187,891
Oklahoma Student Loan Authority	66,707	60,391	0	0	(6,316)	0	(6,316)	92,311	85,995
Oklahoma Housing Finance Agency	172,313	54,417	126,215	0	8,319	0	8,319	73,334	81,653
Oklahoma Turnpike Authority	194,754	216,160	0	0	21,406	0	21,406	269,404	290,810
Grand River Dam Authority	223,182	314,287	0	0	91,105	0	91,105	158,989	250,094
Oklahoma Municipal Power Authority	155,014	156,966	0	0	1,952	0	1,952	21,212	23,164
Higher Education Component Unit	3,544,891	3,058,217	140,779	0	(345,895)	910,385	564,490	4,706,527	5,271,017
Nonmajor Component Units Total	222,472	170,181	2,090	395	(49,806)	73,376	23,570	105,628	129,198
Total Component Units	$ 5,465,085	$ 4,980,214	$ 269,084	$ 395	$ (215,392)	$ 983,761	$ 768,369	$ 5,830,465	$ 6,598,834

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In September 2006 the GASB issued Statement 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivable or specific future revenues.

The State was required to implement this GASB financial reporting standard for the fiscal year ended June 30, 2008

In May 2007 the GASB issued Statement 50 *Pension Disclosures - An Amendment of GASB Statements No. 25 and No. 27*. This statement amends Statement 25 to require defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices.

Statement 50 amends Statement 27 by requiring cost-sharing employers to include in their note disclosures the required contribution rates of the employer in dollars and the percentage of that amount contributed for the current year and each of the two preceding years. It also requires disclosure about how the contractually required contribution rate is determined.

In June 2004 the GASB issued Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes governmental employer standards for the measurement, recognition and display of other postemployment benefit (OPEB) activity.

The State was required to implement this standard for the fiscal year ending June 30, 2008. However, the State elected to follow GASB's recommendation and early implement this standard. The State adopted the provisions of GASB Statement 45 for the fiscal year ended June 30, 2007.

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2008, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

As required by generally accepted accounting principles, these financial statements present the State of Oklahoma (the primary government) and its component units.

Discrete Component Units

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

MAJOR COMPONENT UNITS

CompSource Oklahoma provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2007, and their report, dated March 24, 2008, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2007, and their report, dated June 4, 2008, has been previously issued under separate cover.

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 27, 2008, has been previously issued under separate cover.

Oklahoma Housing Finance Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2007, and their report, dated March 3, 2008, has been previously issued under separate cover.

Oklahoma Turnpike Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2007, and their report, dated March 3, 2008, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2007, and their report, dated March 31, 2008, has been previously issued under separate cover.

Oklahoma Municipal Power Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the State's Bond Oversight Commission. Exclusion of the component unit would cause the State's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2007, and their report, dated March 4, 2008, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the twenty-five colleges and universities that are members of the Oklahoma State System of Higher Education (the System). Sixteen of these colleges and universities have one or more foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Board of Regents of Oklahoma Colleges** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget. Each of the six regional state universities has one or more foundations that are component units of their respective university and are included in the Higher Education Component Unit.
- **Ardmore Higher Education Program** was established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Program earn credit applicable toward academic degrees and certificates at participating institutions in the System. The Program is administered by a Board of Trustees appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Program by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District,** and **Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority (OETA) was created to "make educational television services available to all Oklahoma citizens on a coordinated statewide basis." The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and the Authority. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated September 26, 2008, has been previously issued under separate cover.

Oklahoma Industrial Finance Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 17, 2008, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on the Pool by its ability to modify the decisions of the Board. The Pool was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 24, 2008, has been previously issued under separate cover.

Multiple Injury Trust Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management at will. The Fund was audited by other independent auditors for the period ended December 31, 2007, and their report, dated June 19, 2008, has been previously issued under separate cover.

University Hospitals Authority consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the state Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 24, 2008, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 17, 2008, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board by its ability to veto or

modify the Board's decisions. The Board, in order to mobilize investments, owns the Oklahoma Capital Formation Company LLC (OCFC), a formerly independent corporation. During fiscal year 2006, the Board purchased 100% of the ownership of the OCFC. In fiscal year 2007 OCFC changed its corporate structure and name from a corporation to an Oklahoma limited liability company (LLC). Operations of the OCFC are included in the financial results of the Board. The Board was audited by other independent auditors for the year ended June 30, 2008, and their report, dated September 4, 2008, has been previously issued under separate cover.

Oklahoma State University Medical Authority is affiliated with the Oklahoma State University Center for Health Sciences to provide funding, teaching and training for graduate medical students. It also serves as a site for conducting medical research by faculty and providing patient care. The board is governed by seven members. Three are appointees of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives respectively. Additional members include the CEO of the Oklahoma Health Care Authority, President of the OSU Center for Health Sciences, CEO of the Authority and an appointee of the President of Oklahoma State University. A financial benefit\burden exists between the Authority and the State. The Authority was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 27, 2008, has been issued under separate cover.

Oklahoma Centennial Commemoration Fund is affiliated with the Capitol Complex and Centennial Commemorative Commission and exists to support the Commission with the planning and financing of the 2007 State Centennial Commemoration. The Fund is administered by a Board of Directors that is appointed by the Commission. The Fund was compiled by other independent auditors for the year ended December 31, 2007, and has been issued under separate cover.

Fiduciary Component Units

Six Public Employee Retirement Systems (PERS) administer pension funds for the State and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. One Other Employee Benefit Trust Fund administers health and other benefit plans for the State and its political subdivisions. The benefit trust fund acts as a self-insured plan, and is a component unit of the State. These component units, while meeting the definition of a component unit and are legally separate, are presented in the fund financial statements along with other primary government fiduciary funds of the State. They have been omitted from the government-wide financial statements.

Separately issued independent audit reports are available even though they are excluded from the government-wide financial statements. They may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the combining financial statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 8, 2008, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 13, 2008, has been previously issued under separate cover.

Oklahoma Public Employees Retirement System administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance (or their designees), a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 14, 2008, has been previously issued under separate cover.

Uniform Retirement System for Justices and Judges is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 14, 2008, has been previously issued under separate cover.

Oklahoma Police Pension and Retirement System provides retirement benefits for police officers employed by participating municipalities. The System is administered by a board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner (or their designees) and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated September 15, 2008, has been previously issued under separate cover.

Teachers' Retirement System of Oklahoma provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a board consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2008, and their report, dated October 24, 2008, has been previously issued under separate cover.

Related Organizations and Related Parties

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OOWA but has no further accountability.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information for all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (GAAP) since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure as it is utilized. Unused reimbursable leave following an employee's resignation or retirement that is unpaid at year end is recognized as an expenditure and a liability of the fund.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The primary government's three enterprise funds have elected to not apply FASBs issued after the applicable date. Each of the proprietary component units have individually made this election as disclosed in their separate audit reports.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state's enterprise funds are the moneys requisitioned for the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits, interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB) and the sale of lottery tickets and related chance games by the Lottery Commission. The OWRB reports federal grants as both operating and nonoperating, depending on the types of grants received.

D. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows:

1. Governmental Funds

General Fund - This fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with a reservation of fund balance for debt service.

Commissioners of the Land Office Permanent Fund – This fund accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund's assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Department of Wildlife Conservation Permanent Fund – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund's assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Tobacco Settlement Endowment Permanent Fund – This fund accounts for certain moneys transferred from the General Fund that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

2. Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Employment Security Commission Enterprise Fund - This fund accounts for the deposit of moneys requisitioned for the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

Oklahoma Water Resources Board Enterprise Fund - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Oklahoma Lottery Commission Enterprise Fund – This fund operates the state-wide lottery program and related chance games, seeking to generate additional revenues for the benefit of the State's educational system.

3. Fiduciary Funds and Similar Component Units

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations or other governmental units.

Pension Trust Funds - These Funds account for the transactions, assets, liabilities, and net assets of the Wildlife Conservation Retirement Plan in the primary government, and six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the state.

Agency Funds - These Funds account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals.

4. Component Units

These entities are legally separate from the State but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the state.

5. Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 2008, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-07
Multiple Injury Trust Fund	12-31-07
State and Education Employees Group Insurance Board	12-31-07
Oklahoma Transportation Authority	12-31-07
Grand River Dam Authority	12-31-07
Oklahoma Municipal Power Authority	12-31-07
Oklahoma Housing Finance Agency	09-30-07
Oklahoma Centennial Commemoration Fund	12-31-07

E. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2008 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in the Notes to Required Supplementary Information.

The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures can not exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is

subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to thirty months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2008 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

The State uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has relative equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The State Treasurer also promulgates all rules and regulations regarding the amount of collateral securities that must be pledged to secure public deposits.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

G. Investments

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

H. Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, which are collected within sixty days after year end. Lease payments receivable in the General Fund consists primarily of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectability of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

I. Inter/Intrafund Transactions

Interfund Transactions - The State has two types of interfund transactions.

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.

- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

Intrafund Transactions - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis government wide financial statements. A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to the Oklahoma Transportation Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, but only to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

J. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet, except for $712,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the general fund.

The value of the inventory of food commodities in the general fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the general fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, with cost being determined on either the first-in first-out or average cost basis.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the state as assets which have a cost of $25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by the Oklahoma Department of Transportation and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units financial statements.

Capital assets of the primary government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the Primary Government on the Statement of Net Assets. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria: held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State elected not to capitalize collections and works of art since they meet all of the above conditions.

L. Other Assets

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of **Grand River Dam Authority**, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded fixed assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The **Oklahoma Municipal Power Authority** (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are deferred to future periods in which these amounts will be recovered through revenues.

M. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within 60 days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food commodity inventories.

N. Compensated Absences

Employees earn annual vacation leave at the rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

O. Risk Management

The Risk Management Division of the Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the State, or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

P. Federal Grants

In addition to monetary transactions, Federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

Q. Long-Term Obligations

Premiums, Discounts and Issuance Costs – In the government-wide financial statements, long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Arbitrage Rebate Liability – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

R. Governmental Activities

Per a review of State agencies, it was determined that the activities of the Oklahoma Health Care Authority, Department of Veteran Affairs, and the J.D. McCarty Center are more accurately reflected in the Health Services function of government instead of Social Services. Beginning with the fiscal year ended June 30, 2005, these agencies are reported as a function of Health Services. This will affect the comparability of activities with years prior to 2005.

S. Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

As further explained in item J above, the general fund inventory includes $712,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is $712,000 less than the total of inventory and prepaid items.

T. Deficit Fund Balance – Multiple Injury Trust Fund/Oklahoma Capital Investment Board

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of $144,069,000 at December 31, 2007. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance

carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

The Oklahoma Capital Investment Board (OCIB), a component unit, operated at a deficit for the fiscal year. In fiscal year 2006 the OCIB purchased 100% of the ownership of the Oklahoma Capital Formation Company LLC (OCFC), a formerly blended entity. This purchase brought on the long-term liabilities of the OCFC, and as a result, puts the OCIB in a negative net asset position. For the fiscal year ended June 30, 2008, the OCIB had negative net assets of $10,034,000. The OCIB takes a long-term approach to economic stimulation, and it is anticipated that a negative net asset balance could persist well into the future.

Note 2. Deposits and Investments

The State Treasurer maintains two investment portfolios. The Treasurer's Portfolio is used to manage the investments of all State monies that are under the control of the Treasurer where earnings accrue to the general fund of the State. The State Agency Portfolio is used for the investment of a limited number of state agencies specifically authorized by statute to direct the activities of certain funds and accounts where the earnings accrue to those funds and accounts. Ancillary to the Treasurer's Portfolio is an internal investment pool, OK INVEST, for all state funds and agencies that are considered part of the State of Oklahoma. All cash balances held through the State Treasurer for the Primary Government, Component Units and Fiduciary Funds earn a return through the OK INVEST pool program.

In accordance with statutes, the State Treasurer's investment policy allows investments in the following categories:

United States Treasury Bills, Notes and Bonds
United States Government Agency Securities
Prime banker's acceptances
Investment grade obligations of state and local governments
Short-term bond funds
Foreign Bonds
Collateralized or insured certificates of deposit
Negotiable certificates of deposit
Prime commercial paper
Repurchase agreements
Money market funds

The State Treasurer's investment policy attempts to reduce portfolio risk through diversification by security, institution and maturity. With the exception of U.S. Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security or with a single financial institution. In addition, the Treasurer's investments will not have an average maturity greater than 4 years unless specifically otherwise designated by the Treasurer. The following table outlines the State Treasurer's diversification limits designed to control various types of risk:

Investment Type	Percentage of Total Invested	Percentage of Total by Issuer	Maturity Limit	Rating
U.S Treasury bills, Notes and Bonds	No Limit	No Limit	5 years	N/A
U.S Government Agency Securities	60%	35.0%	5 years	AAA
Collateralized or Insured Certificates of Deposit	Limit of $35 Million per financial institution		365 Days	N/A
Negotiable Certificates of Deposit	7.5%	2.5%	180 Days	A-1
Bankers Acceptance	7.5%	2.5%	270 Days	A-1
Commercial Paper	7.5%	2.5%	180 Days	A-1
State and Local Government Obligations	5%	2.5%	30 Years	N/A
Repurchase and Tri-party Repurchase Agreements	30%	15%	14 Days	A-1
Money Market Mutual Funds	30%	15%	1 day	AAA
Foreign Bonds	2.50%	2.50%	5 years	A-

The Primary Government's three permanent funds, Commissioners of the Land Office, Department of Wildlife Lifetime Licenses, and the Tobacco Settlement Endowment all have investment goals and horizons that differ from the State Treasurer. Accordingly, the investment policies for the permanent funds allow for broader classes of investments as well as extended dates of maturity.

The Employment Security Commission, Water Resources Board and Lottery Commission are the three business-type activities within the Primary Government. These agencies generally have investment policies that correlate to the operations and services that they perform. The Employment Security Commission generally will not invest outside of U.S. Government securities, and typically maintains deposit balances only. The Water Resources Board and Lottery Commission both operate with longer investment horizons and as part of normal operations will attempt to match maturities of investments with the approaching maturity of liabilities.

Due to the nature of the internal investment pool, ownership of investments cannot be assigned to individual funds, including the Pension Trust Funds and Component Units. The investment pool also holds securities purchased with cash collateral from securities lending, which are not assigned to individual funds. For these reasons, total investments will not tie to the financial statements for the Primary Government. The following table details the investments held by the Primary Government at June 30, 2008 (expressed in thousands):

Investments - Primary Government

Investment Type	General Government	Permanent Funds	Business-Type Activities	Total Primary Government
POOLED INVESTMENTS				
US Treasury	$ 762,866	$ -	$ 4,033	$ 766,899
US Agency	3,181,880	-	-	3,181,880
Repurchase Agreements	331,000	-	-	331,000
Money Market Mutual Funds	566,159	-	-	566,159
Securities Lending Collateral Pool	1,647,155	49,067	-	1,696,222
Mutual Funds	1,635	-	-	1,635
Certificates of Deposit	443,770	-	-	443,770
State Bond Issues	187,751	-	-	187,751
NON-POOLED INVESTMENTS				
US Treasury	30,378	100,591	-	130,969
US Agency	21,591	75,630	-	97,221
Domestic Corporate Bonds	1,184	862,699	-	863,883
Foreign Corporate Bonds	11,044	62,942	-	73,986
Domestic Equities	85,444	747,544	-	832,988
Foreign Equities	31,002	47,490	-	78,492
Other	-	4,852	-	4,852
Money Market Mutual Funds	88,416	2,473	-	90,889
Guaranteed Investment Contracts	-	-	224,428	224,428
Totals	$ 7,391,275	$ 1,953,288	$ 228,461	$ 9,573,024

Fiduciary Funds and Similar Component Units

The Fiduciary Funds of the State have investment goals that vary significantly from the Primary Government. Due to the long term nature of these funds, investment options are broader and maturities can be longer than that of the Primary Government. Generally these funds have investment policies allowing for investments in stocks, bonds, fixed income securities and other investment securities including commingled, mutual and index funds. Generally policies allow for a portion of investments to be held in securities of foreign companies and countries. Policies also allow for portions of the total portfolio to be held in derivatives and derivative like investments such as U.S. Treasury Strips, collateralized mortgage obligations, convertible securities and variable rate instruments.

Component Units

The Component Units of the State have varied investment goals based on the demands of their specific enterprise, and commonly have investment policies that allow for broader asset classes and longer maturities than that of the Primary Government. Various finance authorities invest in an attempt to match targeted returns to the maturity of liabilities. The Higher Education Component Unit is comprised of numerous foundations that invest in order to maximize gains for the institutions that they support. These foundations may also hold assets of different classes as part of donor restrictions and covenants. The following table outlines the Component Units' investment holdings at June 30, 2008 (expressed in thousands):

Investments - Component Units

Investment Type	Total Component Units
US Treasury	$ 654,399
US Agency	330,165
Domestic Debt Instruments	1,578,110
Foreign Corporate Bonds	19,588
State and Local Gov't Debt Instruments	149
Domestic Equities and Equity Funds	1,448,228
Foreign Equities	21,875
Other	1,306,901
Money Market Mutual Funds	191,273
Guaranteed Investment Contracts	123,815
	$ 5,674,503

A. Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of the failure of counterparty, the State will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, not registered in the name of the State, or held by the counterparty or it's trust department but not in the State's name.

Primary Government

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. All investments held by the State Treasurer are insured, registered, or held in the name of the State Treasurer.

As of June 30, 2008, the Primary Government's bank balances of deposits are fully insured or collateralized with securities held by an agent of the State in the State's name. In addition to these deposits, the State has approximately $860,554,000 on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

Fiduciary Funds and Similar Component Units

The Pension Trust Funds, fiduciary component units of the State, have investment policies that do not specifically address custodial credit risk of deposits and investments. However, each Pension Trust Fund utilizes multiple investment managers and limits cash and short-term investments to no more than 5% of each investment manager's portfolio. At June 30, 2008, the Pension Trust Funds had deposits and cash equivalents of $566,644,000 of which $450,557,000 were uninsured and uncollateralized.

Component Units

Generally, the Component Units of the State have investment policies that do not specifically address or limit custodial credit risk of deposits and investments. All Component Units typically follow the diversification and securitization of deposit policies defined by the State Treasurer in an effort to minimize custodial credit risk. At June 30, 2008, the Component Units had $25,844,000 of custodial credit risk through letters of credit collateral for securities lent.

B. Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the debt instrument issuer's ability to meet its obligation. The State, its Fiduciary Funds and Component Units utilize the credit quality ratings issued by Moody's, Standard and Poor's, or Fitch in determining the risk associated with its fixed-income investments. Obligations of the U.S. Government or explicitly guaranteed by the U.S. Government are not considered to have credit risk. Certain debt instruments are commingled investments that do not have an applicable credit risk rating. These investments are presented as not rated in the accompanying tables.

Primary Government

As outlined in an earlier table, the State Treasurer seeks to hold investments with a rating of A or higher as rated by Moody's. Generally, the permanent funds and the business-type activities seek to maintain the same or higher rating. The Water Resources Board, which has a high concentration of investments with one issuer, requires that issuer to maintain an average credit rating of AA or higher. Should this issuer's rating fall below AA, it is required to collateralize the guaranteed investments sufficient to maintain an AA rating on the contracts. At June 30, 2008, the Primary Government had the following investments subject to credit risk (expressed in thousands):

Credit Risk - Primary Government

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ -	$ 4,317,031	$ 961,344	$ 5,853	$ 5,284,228
Aa/AA/AA	-	-	24,020	3,918	27,938
A/A/A	-	-	391,893	12,857	404,750
Baa/BBB/BBB	-	-	133,643	17,960	151,603
Ba/BB/BB	-	-	98,823	12,195	111,018
B/B/B	-	-	194,786	5,736	200,522
Caa/CCC/CCC	-	-	13,379	398	13,777
Not Rated	-	-	258,471	15,069	273,540
Credit Risk Not Applicable	47,689	-	-	-	47,689
Total	$ 47,689	$ 4,317,031	$ 2,076,359	$ 73,986	$ 6,515,065

Fiduciary Funds and Similar Component Units

The Pension Trust Funds typically hold a significant portion of assets in the form of debt instruments. Each Pension Trust Fund has an investment policy governing their credit risk exposure. Generally, at the time of purchase, investments in domestic fixed-income investments must carry the highest rating (either Aaa, AAA or AAA) as determined by the national rating organizations. International debt instruments must be Baa or BBB at the time of purchase. Overall, each investment policy generally requires that an average credit quality rating of A or higher be maintained for total debt instrument holdings. At June 30, 2008, the Pension Trust Funds had the following credit risk exposure (expressed in thousands):

Credit Risk - Pension Trust Funds

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ -	$ 802,976	$ 55,789	$ 1,048,142	$ 2,633	$ 1,909,540
Aa/AA/AA	-	16,063	12,542	212,078	16,589	257,272
A/A/A	-	3,316	-	302,754	15,305	321,375
Baa/BBB/BBB	-	12,537	4,342	302,815	21,334	341,028
Ba/BB/BB	-	-	7,375	52,403	3,379	63,157
B/B/B	-	-	1,191	54,618	7,664	63,473
Caa/CCC/CCC	-	-	-	9,788	-	9,788
Ca./CC/CC	-	-	-	799	138	937
Not Rated	-	911,050	1,598	582,180	80,519	1,575,347
Credit Risk Not Applicable	1,822,400	-	-	-	-	1,822,400
Total	$ 1,822,400	$ 1,745,942	$ 82,837	$ 2,565,577	$ 147,561	$ 6,364,317

Component Units

The Component Units usually hold a significant portion of their respective portfolios in debt instruments. Each Component Unit has an investment policy governing credit risk. As a general rule, the Component Units have more liberal investment policies than the Primary Government that allow for greater levels of credit risk regarding debt securities. Foundations within the Higher Education Component Unit also hold a significant portion of their total debt portfolio as either bond funds or money market mutual funds. These debt instruments are generally pooled or commingled investments and are not subject to credit risk disclosures. Investments in U.S. Government securities are not subject to credit risk. At June 30, 2008 the Component Units had the following credit risk exposure (expressed in thousands):

Credit Risk - Component Units

Investment Rating Moody's/S&P/Fitch	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Aaa/AAA/AAA	$ -	$ 275,263	$ 1,258,628	$ -	$ 1,533,891
Aa/AA/AA	-	-	127,902	19,515	147,417
A/A/A	-	-	192,602	-	192,602
Baa/BBB/BBB	-	80	84,430	73	84,583
Caa/CCC/CCC	-	69	-	-	69
Not Rated	-	72,996	229,636	-	302,632
Credit Risk Not Applicable	636,305	-	-	-	636,305
Total	$ 636,305	$ 348,408	$ 1,893,198	$ 19,588	$ 2,897,499

C. Concentration of Credit Risk

Primary Government

The State Treasurer's investment policy seeks to mitigate concentration of credit risk through targeted diversification limits as outlined earlier in this note. With the exception of US Treasury securities, no more than 50% of the State's total funds available for investment will be invested in a single security type or with a single financial institution. The Water Resources Board, a business-type activity of the primary government, has no policy limiting amounts that may be invested in one issuer. At June 30, 2008, the Board held Guaranteed Investment Contracts issued by Transamerica Occidental Life Insurance Co. / Transamerica Life Insurance and Annuity Co. in the amount of $207,564,000 or 65% of its portfolio. Additionally, $12,910,000, or 4% of the portfolio was invested in Guaranteed Investment Contracts issued by Financial Security Assurance.

D. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is a measure of a debt instrument's exposure to fair value changes arising from changes in interest rates based on the present value of future cash flows, weighted for those cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes. The State, its Fiduciary Funds, and Component Units use either duration, modified duration or weighted average years outstanding as the standard measures for assessing interest rate risk. Generally, the longer the duration or years outstanding, the greater sensitivity an investment has to interest rate risk.

Primary Government

As outlined in a previous table, the State Treasurer follows an investment policy seeking to keep the average maturity for its entire portfolio to less than 4 years. The permanent funds and the business-type activities of the Primary Government do not have the same liquidity demands as the Treasurer, and as a matter of policy are not as restrictive regarding maturities. At June 30, 2008, the Primary Government had the following investments with maturities (expressed in thousands):

Interest Rate Risk - Primary Government

Weighted Average Years to Maturity	US Government Securities	Treasury, Agency and Municipal Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	$ 378	$ 268,623	$ 982,597	$ 4,227	$ 1,255,825
1 - 5 years	9,610	4,008,247	116,157	37,698	4,171,712
5 - 10 years	33,771	23,133	381,816	21,537	460,257
10 or more years	3,930	17,028	361,629	10,524	393,111
No Maturity or Not Applicable	-	-	234,160	-	234,160
Total	$ 47,689	$ 4,317,031	$ 2,076,359	$ 73,986	$ 6,515,065

Fiduciary Funds and Similar Component Units

The Pension Trust Funds generally do not have a formal investment policy on interest rate risk. However, interest rate risk is generally controlled through diversification of portfolio management styles. Each Pension Trust Fund reviews the performance of each investment manager, and monitors the interest rate risk as part of the performance assessment. At June 30, 2008, the Pension Trust Funds had the following exposure to interest rate risk (expressed in thousands):

Interest Rate Risk - Pension Trust Funds

Duration or Weighted Average Years	US Government Securities	Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year duration	$ 3,616	$ 26,720	$ 4,273	$ 27,410	$ 6,897	$ 68,916
1 - 5 years	15,673	1,046,314	37,972	843,442	13,583	1,956,984
5 - 10 years	12,679	205,092	15,250	671,715	32,356	937,092
10 or more years	699,085	467,816	25,342	647,737	23,466	1,863,446
No Duration	1,091,347	-	-	375,273	71,259	1,537,879
Total	$ 1,822,400	$ 1,745,942	$ 82,837	$ 2,565,577	$ 147,561	$ 6,364,317

Component Units

The State's Component Units typically have board approved investment policies designed to manage exposure to fair value losses that arise from interest rate risk. The policies of the various Component Units can differ significantly since each investment policy is designed to match the portfolio objectives for that Component Unit. A substantial portion of the Component Units' holdings in debt instruments is in money market mutual funds and bond mutual funds with demand maturities and consequently have been presented below as not having an applicable maturity. On June 30, 2008, the Component Units had the following interest rate risk exposure (expressed in thousands):

Interest Rate Risk - Component Units

Weighted Average Years to Maturity	US Government Securities	Treasury, Agency and Municipal Securities	International Government Securities	US Corporate Debt Instruments	International Debt Instruments	Total
Less than 1 year Weighted Average to Maturity	$ 191,075	$ 153,095	$ -	$ 80,642	$ -	$ 424,812
1 - 5 years	387,400	123,256	-	874,653	73	1,385,382
5 - 10 years	49,271	23,825	19,515	96,513	-	189,124
10 or more years	27	37,981	-	3,766	-	41,774
No Maturity or Not Applicable	8,532	10,251	-	837,624	-	856,407
Total	$ 636,305	$ 348,408	$ 19,515	$ 1,893,198	$ 73	$ 2,897,499

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of a deposit or investment. The State, its Fiduciary Funds and Component Units typically make investments in foreign securities to achieve an additional level of diversification within the various portfolios under management. Foreign currencies held as cash and cash equivalents are usually held to limit losses in foreign investments due to fluctuations in currency values.

Primary Government

The Primary Government does not invest in international securities as a matter of general policy, however, the permanent funds have policies that will typically allow a portion of the total portfolio to be invested in international securities in an effort to improve diversification and total returns. The business-type activity's investing policies do not specifically address foreign investments, and they will typically not hold any international securities. At June 30, 2008, the Primary Government had the following foreign currency risk (expressed in thousands):

Foreign Currency Risk - Primary Government

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	$ 2,143	$ 371	$ 11	$ 2,525
Argentine peso	-	163	-	163
Brazilian real	1,049	606	-	1,655
British pound sterling	12,075	1,825	116	14,016
Bermuda dollar	68	101	-	169
Canadian dollar	1,676	1,401	-	3,077
Cayman dollar	71	2,574	-	2,645
Chinese renminbi	818	-	-	818
Chilean Peso	68	-	-	68
Columbian peso	-	150	-	150
Czech koruna	760	-	-	760
Danish krone	1,047	98	-	1,145
Euro	28,555	11,736	287	40,578
Hong Kong dollar	997	-	-	997
Hungarian forint	958	948	-	1,906
Indian rupee	1,027	324	-	1,351
Indonesian rupiah	19	-	-	19
Korean won	78	-	-	78
Japanese yen	12,341	368	3	12,712
Malaysian ringgit	-	565	-	565
Mexican peso	630	-	1	631
New Taiwan dollar	521	-	-	521
New Zealand dollar	40	-	-	40
Norwegian krone	2,704	-	-	2,704
Peruvian nuevo sol	-	41	-	41
Polish zloty	1,178	-	-	1,178
Russian rubel	1,891	544	-	2,435
Singapore dollar	809	310	-	1,119
South African rand	-	65	-	65
Swedish krona	1,192	225	-	1,417
Swiss franc	2,623	-	-	2,623
Thai baht	-	153	-	153
Turkish lira	-	537	-	537
Ukrainian Hryvnia	78	-	-	78
Venequelan bolivar	-	593	-	593
Totals	$ 75,416	$ 23,698	$ 418	$ 99,532

Fiduciary Funds and Similar Component Units

The Pension and Other Employee Benefit Trust Funds generally have investment policies regarding limits on the amount of foreign securities that can be held within their respective portfolios. The Trust Funds have a significantly longer time frame for achieving their investment goals, and investments in foreign securities offer an additional level of diversification, as well as provide the opportunity for increased returns. Typically, holdings in foreign currencies are used to limit losses on foreign securities due to currency fluctuations. The Trust Funds had the following foreign currency risk at June 30, 2008 (expressed in thousands):

Foreign Currency Risk - Pension Trust Funds

Currency	Equities	Debt Instruments	Cash and Equivalents	Total
Australian dollar	$ 69,192	$ -	$ 651	$ 69,843
Brazilian real	11,061	-	2,003	13,064
British pound sterling	314,126	8,128	1,501	323,755
Bulgarian lev	1,383	-	114	1,497
Canadian dollar	77,970	841	776	79,587
Czech koruna	3,177	-	-	3,177
Danish krone	14,940	-	-	14,940
Estonian krune	15	-	1	16
Eqyptian pound	417	-	124	541
Euro	730,351	24,048	16,564	770,963
Hong Kong dollar	46,709	-	87	46,796
Hungarian forint	3,852	-	-	3,852
Indonesian rupiah	408	-	38	446
Japanese yen	431,056	27,181	721	458,958
Malaysian ringgit	2,211	-	-	2,211
Mexican peso	6,873	-	287	7,160
New Israeli shekel	1,620	-	-	1,620
New Taiwan dollar	5,241	-	-	5,241
New Zealand dollar	7,546	-	5	7,551
Norwegian krone	16,566	-	170	16,736
Polish zloty	6,028	-	-	6,028
Romanian leu	11	-	-	11
Russian rubel	194	-	-	194
Singapore dollar	9,716	-	-	9,716
South African rand	6,120	-	-	6,120
South Korean won	21,075	-	4	21,079
Swedish krona	39,146	-	5	39,151
Swiss franc	137,869	-	135	138,004
Thai baht	2,285	-	3	2,288
Turkish lira	2,355	-	(214)	2,141
Totals	$ 1,969,513	$ 60,198	$ 22,975	$ 2,052,686

Securities Lending Transactions – Primary Government

State statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. All securities held by Northern Trust Company, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2008, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2008, the fair value of the securities on loan was approximately $2,572,989,000. The underlying collateral for these securities had a market value of approximately $2,623,901,000. Collateral of U.S. Government securities represented approximately $976,746,000 of the total collateral. Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not

presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2008, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

The Tobacco Trust Fund, a permanent fund of the state, participates in securities lending as defined by its investment policy. During the year, the Tobacco Trust lent U.S. Government securities, corporate debt, and domestic and foreign equities. Collateral was provided as cash for securities lent. Collateral must equal at least 102% of the market value of securities lent unless the principal market for the collateral is outside the United States, in which case a margin of 105% must be maintained. At June 30, 2008, the fair value of securities on loan was $47,190,000. The collateral for securities lent had a market value of $49,067,000. The investment made with cash collateral had an average maturity of one day and did not match the duration of the security on loan since the loans are terminable at will. There was no credit risk to borrowers.

Securities Lending Transactions – Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year ended June 30, 2008, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. In certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2008, the carrying amount and fair value of securities on loan was approximately $3,100,051,000. The underlying collateral for these securities had a market value of approximately $3,204,309,000. Collateral of securities and letters of credit represented approximately $312,241,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2008, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans. Generally, their duration did not match the duration of the investments made with cash collateral.

Securities Lending Transactions – Component Units

CompSource Oklahoma participates in securities lending transactions as provided by its investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities, and debt securities. Cash, U.S. Government securities, and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and market value of securities on loan was approximately $262,359,000. The underlying collateral for these securities had a market value of approximately $270,861,000. Collateral of securities and letters of credit represented approximately $25,843,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investment pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At fiscal year end, there is no credit risk exposure to borrowers because the amount CompSource owes the borrowers exceeds the amount the borrowers owe CompSource. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions or recoveries from prior period losses resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with the cash collateral.

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2008, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands):

	General Fund	Component Units	
	Accounts Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	$ 57,225	$ 380,420	$ 1,444,555
Less: Allowance for Uncollectibles	(27,392)	(54,277)	(12,078)
Net Receivables	$ 29,833	$ 326,143	$ 1,432,477

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2008, is shown below (expressed in thousands):

	Due From Other Funds					Due To Other Funds			
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Component Units	General Fund	Wildlife Permanent Fund	Due To Fiduciary Funds	Due To Component Units
Governmental Funds									
General Fund	$ -	$ 27	$ 17,248	$ 207	$ 51,239	$ 112	$ -	$ 19,320	$ 294,736
Wildlife Permanent Fund	112	-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-	-	-	-	-	27	-	-	-
Total Governmental Funds	$ 112	$ 27	$ 17,248	$ 207	$ 51,239	$ 139	$ -	$ 19,320	$ 294,736
Enterprise Funds									
Oklahoma Employment Security Commission	$ -					$ 12			$ -
Oklahoma Lottery Commission	-					16,729			-
Oklahoma Water Resources Board	-					507			-
	$ -					$ 17,248			$ -
Fiduciary Funds									
Pension Trust Funds:									
Firefighters Pension and Retirement System	$ 11,504			$ -	$ -	$ -		$ -	$ -
Oklahoma Public Employees Retirement System	-			-	-	1		-	-
Oklahoma Law Enforcement Retirement System	2,064			-	-	-		-	1
Oklahoma Police Pension and Retirement System	5,752			-	-	5		-	-
Teachers' Retirement System of Oklahoma	-			-	-	1		-	8,405
Agency Funds:									
Funds Held in Escrow	-			-	-	200		-	-
Other	-			-	531	-		-	6,632
Total Fiduciary Funds	$ 19,320			$ -	$ 531	$ 207		$ -	$ 15,038

	Due From Primary Government			Due From Fiduciary Funds	Due From Other Component Units	Due To Primary Government	Due To Fiduciary Funds	Due To Other Component Units
	General Fund	Permanent Funds	Enterprise Funds			General Fund		
Major Component Units:								
CompSource Oklahoma	$ 1,860	$ -	$ -	$ -	$ 111	$ 15	$ -	$ 163
Oklahoma Turnpike Authority	5	-	-	-	-	49,070	1	41
State and Education Emp. Group Insurance Board	70			10,643	-	7	-	-
Grand River Dam Authority	41	-	-	-	1,660	58	530	-
Oklahoma Municipal Power Authority	-	-	-	-	-	-	-	1,659
Higher Education	292,311	-	-	1	7,107	1,223	-	27,450
Nonmajor Component Units:								
Multiple Injury Trust Fund	4,055	-	-	-	-	6	-	56
Oklahoma Educational Television Authority	-	-	-	-	-	1	-	-
Oklahoma State University Medical Authority	-	-	-	-	20,315	-	-	-
University Hospitals Authority	360	-	-	-	230	-	-	155
Oklahoma Development Finance Authority	47	-	-	-	101	2	-	-
Total Component Units	$ 298,749	$ -	$ -	$ 10,644	$ 29,524	$ 50,382	$ 531	$ 29,524

A reconciliation of interfund receivables and interfund payables at June 30, 2008 follows. Timing differences occur between agencies with a June 30 year end and the component units with September 30 or December 31 year ends.

Due From Other Funds		Due To Other Funds	
Wildlife Permanent Fund	$ 112	General Fund to Enterprise Funds	$ 17,248
Fiduciary Funds	19,320	General Fund to Fiduciary Funds	207
Permanent Fund	27	Enterprise Funds	-
Enterprise Funds	17,248	Wildlife Permanent Fund	112
Due From Fiduciary Funds	207	Tobacco Permanent Fund	27
Due From Enterprise Funds		Fiduciary Funds	19,320
General Fund	-	Due To Component Units	
Due From Component Units		General Fund	294,736
General Fund	51,239	Tobacco Permanent Fund	-
Fiduciary Funds	531	Fiduciary Funds	15,038
Due From Primary Government		Due to Enterprise Fund	-
General Fund	298,749	Due To Primary Government - General Fund	50,382
Permanent Fund	-	Due To Fiduciary Funds	531
Due From Enterprise Funds	-	Due To Other Component Units	29,524
Due From Fiduciary Funds	10,644	Total Interfund Payables per Financial Statements	427,125
Due From Other Component Units	29,524	Timing Differences, Fiscal Year Ending	
Total Interfund Receivables per Financial Statements	$ 427,601	December 31, 2007: Component Units	476
		Total Interfund Payables	$ 427,601

The general fund Due From Other Funds includes $49,216,000 from the Oklahoma Turnpike Authority (OTA) ($48,359,000 at December 31, 2007) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. Also, the general fund is due $200,000 from the Funds Held in Escrow agency fund for legislative mandated transfer of earnings on

certain funds. The Wildlife Lifetime Licenses permanent fund is due $112,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The Component Units Due From Primary Government includes $360,000 for University Hospitals Authority. This amount is due from the general fund for draw downs of principal from Oklahoma Capital Improvement Authority capital lease agreements.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of $46,133,000, as permitted by statute. Included in this note payable is a $6,000,000 advance on a line of credit not to exceed $11,300,000. The remaining $5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) and University Hospitals Authority (UHA) component units have entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are $521,871,000 for HE and $320,000 for UHA.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2008, follows (expressed in thousands):

Transfers From (Out)	Transfers To (In)	For (Purpose)	Amount
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	$ 31
		Total transfers out of the General Fund	31
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	(3,509)
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	(4,713)
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	(579)
Lottery Commission	General Fund	Transfer of expendable earnings	(67,775)
		Total transfers in to the General Fund	(76,576)
		Net Transfers In/Out	$ (76,545)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows (expressed in thousands):

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,366,777	$ 122,843	$ (4,404)	$ 1,485,216
Construction in progress	85,076	46,035	(51,809)	79,302
Total capital assets, not being depreciated	1,451,853	168,878	(56,213)	1,564,518
Capital assets, being depreciated:				
Buildings and improvements	966,192	61,976	(3,845)	1,024,323
Equipment	327,959	41,541	(10,250)	359,250
Infrastructure	11,881,216	555,595	(9,861)	12,426,950
Total capital assets, being depreciated	13,175,367	659,112	(23,956)	13,810,523
Less accumulated depreciation for:				
Buildings and improvements	(374,730)	(21,784)	898	(395,616)
Equipment	(215,301)	(25,318)	9,029	(231,590)
Infrastructure	(6,371,446)	(322,077)	5,588	(6,687,935)
Total accumulated depreciation	(6,961,477)	(369,179)	15,515	(7,315,141)
Total capital assets, being depreciated, net	6,213,890	289,933	(8,441)	6,495,382
Governmental activities capital assets, net	$ 7,665,743	$ 458,811	$ (64,654)	$ 8,059,900
Business-type activities:				
Capital assets, being depreciated:				
Equipment	$ 1,738	$ 55	$ -	$ 1,793
Total capital assets, being depreciated	1,738	55	-	1,793
Less accumulated depreciation for:				
Equipment	(710)	(312)	-	(1,022)
Total accumulated depreciation	(710)	(312)	-	(1,022)
Business-type activities capital assets, net	$ 1,028	$ (257)	$ -	$ 771

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Education	$ 641
General government	14,838
Health services	6,298
Legal and judiciary	72
Museums	155
Natural resources	3,986
Public safety and defense	12,852
Regulatory services	268
Social services	4,239
Transportation	325,830
Total depreciation expense - governmental activities	$ 369,179
Business-type activities:	
General government	$ 245
Natural resources	67
Total depreciation expense - business-type activities	$ 312

Component Units

Capital asset activity for the year ended June 30, 2008, (December 31, 2007, or September 30, 2007, for those entities identified in Item D of Note 1) was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 323,245	$ 16,025	$ (119)	$ 339,151
Construction in progress	397,267	577,527	(242,428)	732,366
Total capital assets, not being depreciated	720,512	593,552	(242,547)	1,071,517
Capital assets, being depreciated:				
Buildings and improvements	4,799,777	222,306	(18,291)	5,003,792
Equipment	1,292,923	128,004	(35,714)	1,385,213
Infrastructure	1,871,477	83,616	(4,464)	1,950,629
Total capital assets, being depreciated	7,964,177	433,926	(58,469)	8,339,634
Less accumulated depreciation for:				
Buildings and improvements	(1,974,817)	(129,834)	15,951	(2,088,700)
Equipment	(886,889)	(98,145)	27,940	(957,094)
Infrastructure	(969,519)	(60,785)	674	(1,029,630)
Total accumulated depreciation	(3,831,225)	(288,764)	44,565	(4,075,424)
Total capital assets, being depreciated, net	4,132,952	145,162	(13,904)	4,264,210
Capital assets, net	$ 4,853,464	$ 738,714	$ (256,451)	$ 5,335,727

Note 6. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, second injury workers' compensation, tort liability (except for excess coverage for certain losses in excess of $1,000,000), vehicle liability, and property losses (except for excess coverage for certain losses in excess of $250,000, or $750,000 for certain agencies). The property loss excess coverage is limited to a maximum loss of $1,000,000,000.

Coverage for health care claims and workers' compensation is provided by two separate component units. The State and Education Employees' Group Insurance Board is a component unit that provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. CompSource Oklahoma (CSO) is a component unit that provides workers' compensation coverage for the State's employees (and private and local government employees).

CSO administers claim payments and provides excess-of-loss reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately $8,549,000 in 2007. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately $46,241,000 at December 31, 2007.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately $2,129,000 in 2007. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of $604,000 at December 31, 2007, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2007, have been charged to operations for the year ended December 31, 2007. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the Treasury bill rate plus 4% to be updated annually.

The remaining risk management activities of the State are included in the State's General Fund. The Risk Management Division of the Department of Central Services is responsible for administering the State's tort liability, vehicle liability, property loss, and other types of risk coverage. Also, the Division is responsible for the acquisition and administration of all insurance policies purchased by the State and administration of any self-insurance plans and programs adopted for use by the State (and for certain organizations and bodies outside of state government).

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. None of the funds have included nonincremental claims adjustment expense as part of accrued liabilities. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Division of the Department of Central Services represents an estimate of amounts to be paid from economic financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2008, (December 31, 2007, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands). Due to a change in method of financial statement presentation between fiscal years 2008 and 2007, the State and Education Employees Group Insurance Board is not reflected in the 2007 liability schedule.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund* -						
Risk Management Division	$ 33,736	$ (14,502)	$ (7,685)	$ 11,549	$ 3,864	$ 7,685
Component Units:						
CompSource Oklahoma	$ 847,063	$ 261,794	$ (222,337)	$ 886,520	$ 692,994	$ 193,526
State and Education Employees Group Insurance Board	66,793	546,589	(525,717)	87,665	-	87,665
Multiple Injury Trust Fund	123,328	7,044	(25,644)	104,728	91,746	12,982
Total Component Units**	$ 1,037,184	$ 815,427	$ (773,698)	$ 1,078,913	$ 784,740	$ 294,173

* As discussed in the Litigation and Contingencies note, general fund claims and judgments includes $9,023 accrued for the payment of litigation losses.

** The Higher Education Component Unit's claims and judgments ($2,284 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund -						
Risk Management Division	$ 21,750	$ 16,365	$ (4,379)	$ 33,736	$ 29,357	$ 4,379
Component Units:						
CompSource Oklahoma	$ 792,339	$ 277,013	$ (222,289)	$ 847,063	$ 659,330	$ 187,733
Multiple Injury Trust Fund	137,371	5,834	(19,877)	123,328	110,325	13,003
Total Proprietary Units	$ 929,710	$ 282,847	$ (242,166)	$ 970,391	$ 769,655	$ 200,736

Public Entity Risk Pool - State and Education Employees' Group Insurance Board

The State operates the Oklahoma State and Education Employees' Group Insurance Board (Plan), a Public Entity Risk Pool.

A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 224,000 primary participants and dependents, approximately 16,000 primary participants and 23,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (315 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows:

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X	X		
Disability	X	X					
S Medicare upplement				X	X	X	X
Health Care Participants:							
Primary	24,000	9,000	57,000	---------- 39,000 ----------			
Dependents	---------- 56,000 ----------						

B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the three types of coverages: health and dental, life, and disability (expressed in thousands):

	Health and Dental	Life	Disability
	Fiscal Year 12/31/2007	Fiscal Year 12/31/2007	Fiscal Year 12/31/2007
Reserves at beginning of period	$ 64,325	$ 2,468	$ -
Incurred claims:			
Provision for insured events of current period	514,888	8,861	636
Changes in provisions for insured events of prior periods	762	(288)	-
Provision for insured events of future periods	21,730	-	-
	537,380	8,573	636
Payments:			
Claims attributable to insured events of current period	453,414	7,224	636
Claims attributable to insured events of prior periods	62,785	1,658	-
	516,199	8,882	636
Reserves at end of period	$ 85,506	$ 2,159	$ -

D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2008, are as follows (expressed in thousands):

	General Fund	Fiduciary Funds	Component Units
2009	$ 369	$ 207	$ 4,111
2010	186	207	3,593
2011	103	207	3,507
2012	5	-	871
2013	-	-	561
2014-2018	-	-	1,826
2019-2023	-	-	204
Total Future Minimum Lease Payments	$ 663	$ 621	$ 14,673
Operating lease commitments for building rental for year ended June 30, 2009	$ 19,977	$ 407	$ 3,282
Rent expenditures/expenses for operating leases for year ended June 30, 2008	$ 18,684	$ 415	$ 16,159

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The Department of Transportation maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any

lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately $25,175,000, which is also the net investment in direct financing leases at June 30, 2008. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands):

	2009	2010	2011	2012	2013
Department of Transportation	$ 6,659	$ 5,880	$ 5,025	$ 4,193	$ 1,572
Oklahoma Capital Improvement Authority	16,357	17,109	17,203	18,002	-
Total	$ 23,016	$ 22,989	$ 22,228	$ 22,195	$ 1,572

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with component units for the lease of various facilities, equipment and improvements. At June 30, 2008, the total minimum lease payments to be received by OCIA from component units is $521,871,000.

Operating Leases

The State has operating leases maintained by various state agencies consisting primarily of state owned building space leased to non-state entities. The primary government's total operating leases receivable recognized in the current fiscal year is approximately $23,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands):

2009	2010	2011	2012	2013
$ 215	$ 160	$ 115	$ 67	$ 57

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 745,000 acres of land principally for agricultural purposes. The lease terms are principally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands):

2009	2010	2011	2012	2013
$ 8,792	$ 7,010	$ 5,119	$ 3,132	$ -

Component Units

The **Oklahoma Municipal Power Authority** executed a Power Purchase Agreement with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma), for the development of a wind generation facility in northwestern Oklahoma. Under the agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The authority issued taxable limited obligation notes which were payable solely from lease payments made by FPLE Oklahoma. The Authority used the proceeds of the Notes to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay the debt service, principal and interest, on the Notes. The Power Purchase Agreement has a term of approximately 25 years and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project. The following schedule lists the components of the lease agreement as of December 31, 2007 (expressed in thousands):

Total minimum lease payments to be received	$ 94,851
Less: Amounts representing interest included in total minimum lease payments	(41,716)
Net investment in direct financing leases	$ 53,135

Operating Leases

The Oklahoma Turnpike Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The following schedule presents minimum future rentals receivable from these contracts for the December 31 fiscal year ends (expressed in thousands):

	2008	2009	2010	2011	2012
Oklahoma Turnpike Authority	$ 1,126	$ 1,097	$ 1,084	$ 57	$ 62

Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	DueWithin One Year
General Obligation Bonds Payable from Tax Revenue:								
Oklahoma Bldg Refunding 2003A	2003	2.00%-5.00%	2019	$ 233,510	$ -	$ 14,555	$ 218,955	$ 15,200
Total				233,510	-	14,555	218,955	15,200
Revenue Bonds Payable from Lease Rentals:								
OCIA Series B of 1994	1995	4.85%-7.15%	2010	4,940	-	1,535	3,405	1,645
OCIA Series 1998, Highway	1998	3.90%-5.00%	2008	38,015	-	38,015	-	-
OCIA Series 1999A	2000	4.10%-5.50%	2010	19,785	-	6,295	13,490	6,580
OCIA Series 1999B	2000	6.20%-7.63%	2020	1,205	-	265	940	280
OCIA Series 1999C	2000	4.10%-5.50%	2010	635	-	200	435	210
OCIA Series 1999D	2000	3.85%-5.70%	2010	1,700	-	540	1,160	565
OCIA Series 2000, Highway	2000	4.30%-5.00%	2012	82,855	-	14,935	67,920	15,715
OCIA Series 2002A	2003	2.00%-4.65%	2023	10,950	-	520	10,430	535
OCIA 2003A, Highway	2003	2.00%-5.00%	2015	54,495	-	5,830	48,665	6,035
OCIA 2003B, Highway	2003	2.00%-5.00%	2015	22,040	-	2,400	19,640	2,485
OCIA 2003C, State Facilities	2004	2.00%-4.75%	2025	16,680	-	680	16,000	695
OCIA 2003D, State Facilities	2004	2.00%-4.75%	2024	3,105	-	135	2,970	140
OCIA 2003E, State Facilities	2004	2.00%-4.00%	2016	15,880	-	2,150	13,730	2,210
OCIA 2004A, Refunding	2005	2.50%-5.00%	2024	110,515	-	1,120	109,395	1,150
OCIA 2005, Revenue	2006	3.50%-5.30%	2020	5,000	-	280	4,720	290
OCIA 2005A, Revenue	2005	3.00%-4.35%	2020	5,810	-	330	5,480	340
OCIA 2005B, Revenue	2005	3.00%-4.05%	2025	3,860	-	145	3,715	150
OCIA 2005C, Revenue	2005	3.00%-5.00%	2027	33,000	-	-	33,000	1,150
OCIA Series 2005D	2006	3.00%-4.38%	2030	21,355	-	300	21,055	600
OCIA Series 2005E	2006	3.70%-5.00%	2025	2,905	-	100	2,805	105
OCIA Series 2005F	2006	3.38%-5.00%	2030	333,610	-	2,005	331,605	8,400
OCIA Series 2005G	2006	4.79%-4.79%	2007	6,040	-	6,040	-	-
OCIA Series 2006	2006	5.00%-5.23%	2015	50,000	-	4,950	45,050	5,195
OCIA Series 2006A	2006	3.55%-4.38%	2026	24,410	-	835	23,575	865
OCIA Series 2006B	2006	3.50%-4.25%	2026	18,900	-	640	18,260	665
OCIA Series 2006C	2006	4.00%-4.50%	2026	22,040	-	690	21,350	760
OCIA Series 2006D	2006	1.00%-5.00%	2035	125,270	-	2,000	123,270	-
OCIA Series 2006E	2006	4.00%-4.50%	2026	6,430	-	215	6,215	225
Corrections 2003A, Central OK (ODFA)	2003	2.25%-4.65%	2023	30,890	-	1,465	29,425	1,505
Corrections 2004, Central OK (ODFA)	2004	3.00%-4.45%	2024	3,590	-	175	3,415	180
Corrections 2006, Central OK (ODFA)	2006	4.00%-5.45%	2026	4,235	-	150	4,085	160
Tourism 2002	2002	2.10%-4.25%	2012	1,865	-	345	1,520	375
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25%-5.30%	2012	805	-	95	710	100
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30%-5.60%	2015	2,315	-	240	2,075	255
DHS-8 County (ODFA)	2002	2.00%-5.25%	2017	11,175	-	920	10,255	955
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00%-3.85%	2019	7,140	-	510	6,630	525
DHS-2004B (ODFA)	2005	1.60%-5.13%	2019	4,295	-	265	4,030	270
DHS-2008 (ODFA)	2008	3.25%-4.15%	2023	-	23,000	-	23,000	1,265
Veterans Series 2005 (ODFA)	2005	2.65%-3.65%	2015	6,520	-	730	5,790	750
Law Enforcement Education/Train (ODFA)	2002	3.00%-5.50%	2027	23,090	-	735	22,355	760
Total				1,137,350	23,000	98,780	1,061,570	64,090
Notes Payable from Tax Revenue (Tourism) and Grant Revenue (ODOT):								
Tourism 2004, Clean Water	2004	2.13%	2024	6,215	-	305	5,910	300
ODOT 2004A, Grant Anticipation	2004	1.00%-4.89%	2018	39,365	-	2,665	36,700	2,725
ODOT 2005A, Grant Anticipation	2005	3.00%-5.00%	2020	46,495	-	2,600	43,895	2,680
ODOT 2007A, Grant Anticipation	2007	3.25%-5.00%	2023	95,675	-	4,400	91,275	4,455
Total				187,750	-	9,970	177,780	10,160
Notes Payable - Sardis Reservoir				34,148	10	368	33,790	368
Capital Leases				4,641	2,871	2,430	5,082	1,787
Compenstated Absences				155,498	92,042	90,372	157,168	90,372
Pension Obligation				1,703	2,656	-	4,359	-
Bond Issue Premiums				56,390	-	7,501	48,889	4,179
Claims and Judgements Payable				53,736	9,023	42,187	20,572	7,685
Total Long-Term Obligations				$ 1,864,726	$ 129,602	$ 266,163	$ 1,728,165	$ 193,841

The increase in debt is primarily due to the issuance of one new bond series by DHS totalling $23,000.

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for state agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2008, which have scheduled debt service amounts (expressed in thousands):

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	Total
General Obligation bonds:											
Oklahoma Bldg Refunding 2003A	$ 25,108	$ 25,034	$ 25,043	$ 25,065	$ 25,082	$ 103,641	$ 53,257	$ -	$ -	$ -	$ 282,230
Less: Interest	9,908	9,309	8,568	7,770	6,922	18,376	2,422	-	-	-	63,275
Total Principal	15,200	15,725	16,475	17,295	18,160	85,265	50,835	-	-	-	218,955
Revenue Bonds:											
OCIA Series B of 1994	1,829	1,823	-	-	-	-	-	-	-	-	3,652
OCIA Series 1999A	7,090	7,083	-	-	-	-	-	-	-	-	14,173
OCIA Series 1999B	340	343	51	49	52	252	103	-	-	-	1,190
OCIA Series 1999C	226	231	-	-	-	-	-	-	-	-	457
OCIA Series 1999D	608	609	-	-	-	-	-	-	-	-	1,217
OCIA Series 2000, Highway	18,906	18,903	18,903	18,906	-	-	-	-	-	-	75,618
OCIA Series 2002A	952	951	947	947	946	4,732	4,695	-	-	-	14,170
OCIA 2003A, Highway	8,259	8,261	8,262	8,261	8,261	16,517	-	-	-	-	57,821
OCIA 2003B, Highway	3,270	3,270	3,267	3,268	3,267	6,537	-	-	-	-	22,879
OCIA 2003C, State Facilities	1,329	1,331	1,330	1,331	1,330	6,641	6,619	2,641	-	-	22,552
OCIA 2003D, State Facilities	257	258	258	258	258	1,278	1,271	256	-	-	4,094
OCIA 2003E, State Facilities	2,661	2,666	2,672	1,495	1,496	4,514	-	-	-	-	15,504
OCIA 2004A, Refunding	6,515	6,515	13,756	13,738	13,727	68,422	25,419	524	-	-	148,616
OCIA 2005 Revenue	469	468	467	466	464	2,322	1,401	-	-	-	6,057
OCIA 2005A, Revenue	544	543	542	545	542	2,707	1,615	-	-	-	7,038
OCIA 2005B, Revenue	303	303	303	303	301	1,496	1,475	878	-	-	5,362
OCIA 2005C, Revenue	2,514	2,514	2,511	2,511	2,508	12,502	12,231	12,119	-	-	49,410
OCIA 2005D Revenue	1,432	1,428	1,429	1,428	1,431	7,130	7,107	7,080	4,230	-	32,695
OCIA 2005E Revenue	224	223	223	222	226	1,125	1,114	662	-	-	4,019
OCIA 2005F Revenue	24,266	24,238	24,235	24,220	24,211	120,757	120,314	119,819	71,612	-	553,672
OCIA 2005G Revenue	-	-	-	-	-	-	-	-	-	-	-
OCIA 2006 Revenue	7,367	7,360	7,352	7,344	7,333	17,390	-	-	-	-	54,146
OCIA 2006A Revenue	1,793	1,795	1,791	1,791	1,791	8,939	8,916	7,101	-	-	33,917
OCIA 2006B Revenue	1,384	1,387	1,384	1,386	1,384	6,913	6,892	5,490	-	-	26,220
OCIA 2006C Revenue	1,660	1,663	1,661	1,657	1,658	8,281	8,252	6,572	-	-	31,404
OCIA 2006D Revenue	6,295	6,275	6,285	6,285	6,295	31,415	31,425	31,425	87,503	71,050	284,253
OCIA 2006E Revenue	484	480	480	481	480	2,397	2,392	1,906	-	-	9,100
Corrections 2003A, Central OK (ODFA)	2,692	2,693	2,694	2,693	2,694	13,457	13,460	-	-	-	40,383
Corrections 2004, Central OK (ODFA)	309	310	310	309	308	1,536	1,537	-	-	-	4,619
Corrections 2006, Central OK (ODFA)	333	331	330	333	331	1,650	1,656	992	-	-	5,956
Tourism 2002	415	410	410	414	-	-	-	-	-	-	1,649
DHS-Pittsburg Co. 1988 (ODFA)	135	134	134	138	282	-	-	-	-	-	823
DHS-Canad/Linc Co. 2000 (ODFA)	367	364	365	365	365	727	-	-	-	-	2,553
DHS-8 County 2002 (ODFA)	1,430	1,432	1,432	1,430	1,434	5,725	-	-	-	-	12,883
DHS-Logan/Okla Co. 2004A (ODFA)	736	735	733	733	733	3,673	732	-	-	-	8,075
DHS-2004B	431	433	434	433	431	2,156	857	-	-	-	5,175
DHS-2008	2,033	2,028	2,031	2,031	2,030	10,156	10,156	-	-	-	30,465
Veterans Series 2005 (ODFA)	942	944	946	946	2,831	-	-	-	-	-	6,609
Law Enforcement Education/Train (ODFA)	1,853	1,854	1,857	1,853	1,858	7,417	9,271	9,276	-	-	35,239
	112,653	112,589	109,785	108,570	91,258	378,764	278,910	206,741	163,345	71,050	1,633,665
Less: Interest	48,563	45,796	42,898	39,597	36,966	148,750	103,005	65,901	35,269	5,350	572,095
Total Principal	64,090	66,793	66,887	68,973	54,292	230,014	175,905	140,840	128,076	65,700	1,061,570
Notes Payable:											
Tourism 2004, Clean Water	441	439	442	445	448	2,250	2,300	233	-	-	6,998
ODOT 2004A, Grant Anticipation	4,297	4,297	4,267	4,258	4,259	21,236	4,232	-	-	-	46,846
ODOT 2005A, Grant Anticipation	4,453	4,451	4,450	4,442	4,441	22,053	13,210	-	-	-	57,500
ODOT 2007A, Grant Anticipation	8,539	8,538	8,530	8,530	8,535	42,422	42,233	-	-	-	127,327
	17,730	17,725	17,689	17,675	17,683	87,961	61,975	233	-	-	238,671
Less: Interest	7,570	7,226	6,840	6,394	5,961	21,182	5,703	15	-	-	60,891
Total Principal	10,160	10,499	10,849	11,281	11,722	66,779	56,272	218	-	-	177,780
Capital Leases	2,289	1,325	978	265	195	764	-	-	-	-	5,816
Less: Interest	153	79	37	4	1	-	-	-	-	-	274
Less: Executory Cost	349	65	26	15	5	-	-	-	-	-	460
Total Principal	1,787	1,181	915	246	189	764	-	-	-	-	5,082
Total	$ 91,237	$ 94,198	$ 95,126	$ 97,795	$ 84,363	$ 382,822	$ 283,012	$ 141,058	$ 128,076	$ 65,700	$ 1,463,387
Long-Term Debt without scheduled debt service:											
Note Payable-Sardis Reservoir											33,790
Compensated Absences											157,168
Pension Obligation											4,359
Bond Issue Premiums											48,889
Claims and Adjustments Payable											20,572
Total Long-Term Obligations											$ 1,728,165

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has twenty-seven outstanding series of building bonds to construct and equip state office buildings and prisons. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. The 2006D series are multi-modal variable rate demand bonds and are the only variable rate bonds issued by OCIA. The interest rate resets on a daily, weekly, or monthly interest rate mode which is determined by public bond market conditions.

The **Oklahoma Development Finance Authority** (ODFA) has issued lease revenue bonds to provide lease financing for the Department of Human Services, the Department of Veterans Affairs, and the Council for Law Enforcement Education and Training. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

The **Oklahoma Development Finance Authority** (ODFA) has issued a series of lease revenue bonds to provide lease financing for the Department of Corrections, Department of Human Services, Department of Veterans Affairs, and the Council for Law Enforcement Education and Training. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Notes Payable

The **Oklahoma Department of Transportation** has issued several series of Grant Anticipation Notes for the purpose of financing certain qualified federal aid transportation projects in the State. The notes are secured by federal revenue received from the Federal Highway Administration (FHA) and have a final maturity in 2023. Total revenue received from the FHA in fiscal year 2008 was $623,566,000 with a portion of that amount, $231,673,000, secured by the notes. Current year note obligations totaled $19,606,000.

The **Oklahoma Water Resources Board** has a contractual agreement to repay the United States, through the Army Corp of Engineers, for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments over a period of 50 years are to be made for the reservoir construction, operation and maintenance allocated to the present use water supply storage. The water storage facility was completed in 1982 and annual payments began in 1983. There are no scheduled future debt service requirements beyond one year. For further discussion of this note payable, refer to the Litigation and Contingencies note.

D. Capital Leases

The State has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is $25,000 or more.

Leased equipment under capital leases in capital assets at June 30, 2008, includes the following (expressed in thousands):

	Buildings	Equipment	Total
Cost	$ 1,869	$ 9,300	$ 11,169
Less: Accumulated depreciation	(56)	(4,710)	(4,766)
Total	$ 1,813	$ 4,590	$ 6,403

E. Other Liabilities

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan, the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices. These plans are single-employer plans that provide retirement, disability, and death benefits to the plan members and their beneficiaries. These pension obligations do not have scheduled future debt service requirements. The Wildlife Pension Plan obligation will be liquidated by the general fund. The pension liability for the Oklahoma Law Enforcement Retirement System and the Uniform Retirement System for Judges and Justices will be liquidated by the respective pensions.

Note 10. Long-Term Obligations As Related to Business-Type Activities

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** has issued fifteen series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2007 Issues	1989-2007	3.20-5.90%	2036	$ 567,600	$ -	$ 34,180	$ 533,420	$ 36,415
Adjusted for: Bond Premiums and Discounts				12,449	-	969	11,480	-
Revenue Bonds Payable Net of Bond Premiums and Discounts				580,049	-	35,149	544,900	36,415
Other Noncurrent Liabilities				272	77	-	349	-
Total Long-Term Obligations				$ 580,321	$ 77	$ 35,149	$ 545,249	$ 36,415

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2008, which have scheduled debt service amounts (expressed in thousands):

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	Total
Revenue Bonds:											
1989-2007 Issues	$ 58,493	$ 55,797	$ 49,195	$ 47,415	$ 46,968	$ 216,874	$ 173,480	$ 85,018	$ 5,954	$ 1,340	$ 740,534
Less: Interest	22,078	20,947	19,893	18,764	17,603	65,982	34,182	7,311	306	48	207,114
Principal	36,415	34,850	29,302	28,651	29,365	150,892	139,298	77,707	5,648	1,292	533,420
Total	$ 36,415	$ 34,850	$ 29,302	$ 28,651	$ 29,365	$ 150,892	$ 139,298	$ 77,707	$ 5,648	$ 1,292	$ 533,420
Adjusted for: Bond and Note Premium and Discounts											11,480
Long-Term Obligations without scheduled debt service:											
Other Noncurrent Liabilities											349
Total Long-Term Obligations											$ 545,249

Certain of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and periodically adjusted pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds ranged from 1.80% to 2.25% at June 30, 2008. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity. These converted rate bonds bear interest at fixed rates ranging from 3.20% to 5.90%.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The arbitrage rebate liability is recorded as other liabilities ($349,000 noncurrent). This amount will be liquidated by the reporting enterprise fund. There are no scheduled future debt service requirements beyond one year.

Note 11. Long-Term Obligations As Related to Component Units

Long-term obligations at June 30, 2008 (September 30, 2007, for Oklahoma Housing Finance Agency and December 31, 2007, for Oklahoma Turnpike Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1987-2006	3.00 - 7.65%	2022	$ 59,430	$ -	$ 4,075	$ 55,355	$ 1,760
Total Before Adjustments				59,430	-	4,075	55,355	
Adjusted for: Bond Premiums				60	-	4	56	
Net Deferred Debits on Refundings				(211)	-	(17)	(194)	
Total General Obligation Bonds Payable Net of Bond Premiums and Deferrals				59,279	-	4,062	55,217	1,760
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1994-2007	3.78 - 6.35%	2037	937,275	-	-	937,275	51,748
Development Finance Auth.	1996	5.36%	3031	9,999	-	-	9,999	-
Housing Finance Agency	1987-2007	3.14 - 8.00%	2038	577,805	191,621	83,689	685,737	35,031
Turnpike Authority	1998-2007	3.00 - 6.00%	2028	1,196,900	45,680	81,860	1,160,720	38,780
Grand River Dam Authority	1993-2002	5.00 - 6.25%	2014	561,131	-	65,045	496,086	68,780
Municipal Power Authority	1990-2005	2.00 - 6.75%	2028	387,070	135,375	13,970	508,475	14,660
University Hospitals Authority	2005	4.00 - 5.36%	2036	54,695	8	828	53,875	870
Centennial Commeration Fund	2001	4.35%	2011	4,720	-	955	3,765	1,005
Higher Education	1993-2007	1.20 - 10.00%	2034	959,365	63,970	26,515	996,820	27,703
Total Before Discounts/Deferrals				4,688,960	436,654	272,862	4,852,752	
Adjusted for: Bond (Discount) Premiums				8,285	(1,644)	(861)	7,502	
Net Deferred Debits on Refundings				(84,672)	-	(7,552)	(77,120)	
Total Revenue Bonds Payable Net of Bond (Discounts) Premiums and Deferrals				4,612,573	435,010	264,449	4,783,134	238,577
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2031	46,921	-	788	46,133	1,065
Student Loan Authority	1993-2005	3.75 - 5.82%	2038	93,622	235,814	48,022	281,414	115,000
Municipal Power Authority	2003	6.00%	2028	54,389	-	1,253	53,136	1,329
Higher Education	2001-2007	1.88 - 8.00%	2046	145,098	101,555	3,389	243,264	26,670
Total				340,030	337,369	53,452	623,947	144,064
Capital Leases:								
University Hospitals Authority				578	-	258	320	276
Higher Education				678,391	70,562	37,213	711,740	35,248
Total				678,969	70,562	37,471	712,060	35,524
Claims and Judgments				975,030	359,684	250,755	1,083,959	296,935
Compensated Absences				92,771	53,008	46,747	99,032	73,829
Other Noncurrent Liabilities				383,806	228,220	187,555	424,471	174,777
Total Long-Term Obligations				$ 7,142,458	$ 1,483,853	$ 844,491	$ 7,781,820	$ 965,466

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has eight series of general obligation bonds outstanding. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the State.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2008 (September 30, 2007, for Oklahoma Housing Finance Agency and December 31, 2007, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands):

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
General Obligation Bonds:													
Industrial Finance Authority	$ 3,472	$ 3,403	$ 3,416	$ 2,847	$ 2,853	$ 10,640	$ 44,275	$ -	$ -	$ -	$ -	$ -	$ 70,906
	3,472	3,403	3,416	2,847	2,853	10,640	44,275	-	-	-	-	-	70,906
Less: Interest	1,712	1,633	1,551	1,462	1,393	6,140	1,660	-	-	-	-	-	15,551
Total Principal	1,760	1,770	1,865	1,385	1,460	4,500	42,615	-	-	-	-	-	55,355
Revenue Bonds:													
Student Loan Authority	92,380	114,037	109,925	105,813	101,738	137,964	103,852	106,538	321,603	307,433	-	-	1,501,283
Development Finance Auth.	250	250	250	250	250	1,250	1,250	1,250	10,686	-	-	-	15,686
Housing Finance Agency	71,074	51,194	50,622	50,141	48,995	238,977	232,144	219,891	316,154	-	-	-	1,279,192
Turnpike Authority	89,999	92,484	93,051	94,653	92,904	448,618	411,994	361,164	72,587	-	-	-	1,757,454
Grand River Dam Authority	93,416	93,253	93,076	93,594	93,947	127,726	-	-	-	-	-	-	595,012
Municipal Power Authority	38,043	39,384	38,345	39,393	39,336	185,072	180,042	122,411	53,478	53,481	53,482	53,486	895,953
University Hospitals Authority	1,869	1,907	1,932	1,968	1,999	10,648	11,924	13,242	14,692	9,644	-	-	69,825
Centennial Commeration Fund	1,141	1,152	1,053	706	-	-	-	-	-	-	-	-	4,052
Higher Education	71,987	73,874	74,406	74,577	75,373	337,597	304,611	259,636	191,893	92,256	-	-	1,556,210
	460,159	467,535	462,660	461,095	454,542	1,487,852	1,245,817	1,084,132	981,093	462,814	53,482	53,486	7,674,667
Less: Interest	221,582	211,142	196,907	183,806	169,703	692,238	521,136	352,329	204,910	45,834	15,802	6,526	2,821,915
Total Principal	238,577	256,393	265,753	277,289	284,839	795,614	724,681	731,803	776,183	416,980	37,680	46,960	4,852,752
Notes Payable:													
Multiple Injury Trust Fund	5,065	4,052	4,052	4,052	4,052	20,260	20,260	20,260	11,080	-	-	-	93,133
Student Loan Authority	119,978	4,323	97,215	2,000	2,000	59,206	3,137	22,964	-	-	-	-	310,823
Municipal Power Authority	4,517	4,517	4,517	4,517	4,517	22,583	22,583	22,583	4,518	-	-	-	94,852
Higher Education	31,878	126,049	9,419	8,587	16,715	33,110	24,567	19,792	18,569	12,437	-	-	301,123
	161,438	138,941	115,203	19,156	27,284	135,159	70,547	85,599	34,167	12,437			799,931
Less: Interest	17,374	15,572	13,315	12,528	11,459	47,556	32,248	19,062	5,416	1,454	-	-	175,984
Total Principal	144,064	123,369	101,888	6,628	15,825	87,603	38,299	66,537	28,751	10,983	-	-	623,947
Capital Leases:													
University Hospitals Authority	300	47	-	-	-	-	-	-	-	-	-	-	347
Higher Education	68,308	66,353	64,003	61,569	61,560	255,752	206,200	169,983	166,276	38,696	-	-	1,158,700
	68,608	66,400	64,003	61,569	61,560	255,752	206,200	169,983	166,276	38,696	-	-	1,159,047
Less: Interest	33,084	31,584	30,125	28,754	28,368	116,159	86,928	59,330	30,574	2,081	-	-	446,987
Total Principal	35,524	34,816	33,878	32,815	33,192	139,593	119,272	110,653	135,702	36,615	-	-	712,060
Total	$ 419,925	$ 416,348	$ 403,384	$ 318,117	$ 335,316	$ 1,027,310	$ 924,867	$ 908,993	$ 940,636	$ 464,578	$ 37,680	$ 46,960	$ 6,244,114
Adjusted for: Net Discounts and Deferred Debits on Refundings													(69,756)
Long-Term Obligations without scheduled debt service:													
Claims and Judgments													1,083,959
Compensated Absences													99,032
Other Noncurrent Liabilities													424,471
Total Long-Term Obligations													$ 7,781,820

B. Revenue Bonds

The **Oklahoma Student Loan Authority** (OSLA) has issued nineteen series of revenue bonds. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2008, the variable interest rates ranged from 0.00% to 10.00%.

The **Oklahoma Development Finance Authority** (ODFA) has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2008 was 2.5%.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 36 series of revenue bonds with outstanding balances at year end. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Turnpike Authority** (OTA) has issued six series of revenue bonds with an original issue amount of $1,937,920,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The **Grand River Dam Authority** (GRDA) has issued four series of revenue bonds with an original issue amount of $1,042,956,000. Oklahoma statutes have authorized GRDA to issue revenue bonds not to exceed $1,410,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) has issued nine series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain series of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 14%.

The **University Hospitals Authority** (UHA) has issued two revenue bond series (2005A-Tax Exempt and 2005B-Taxable) with an original issue amount of $55,460,000. The proceeds will be used to finance construction of new pediatric ambulatory care facilities and a basic research center.

Twenty-six of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 78 series of revenue bonds with an original issue amount of $1,016,942,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2008 (December 31, 2007 for OTA, GRDA, and OMPA) (expressed in thousands):

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
$ 1,500	$ 37,340	$ 44,720	$ 29,140

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of $46,133,000, as permitted by statute. Included in this note payable is a $6,000,000 advance on a line of credit not to exceed $11,300,000. The remaining $5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 2.45% to 3.25%.

The **Oklahoma Municipal Power Authority** (OMPA) has issued $57,739,000 of taxable limited obligation notes. The notes are payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The notes bear an interest rate of 6%, and annual principal and interest payments are due through December 31, 2028.

The **Higher Education** component unit has entered into various notes payable agreements. Lease payments, a pledge of "Section Thirteen Fund State Educational Institutions" moneys, the equipment purchased, and the facilities constructed are pledged as collateral on the notes.

E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. In fiscal year 1999, the Higher Education component unit signed capital lease agreements with OCIA totaling $49,178,000 and additional agreements totaling $515,350,000 during fiscal year 2006. The outstanding principal balance for these OCIA leases at June 30, 2008, is $521,871,000. Only the principal balance of the leases is recognized since it is equivalent to the value of the items leased. The OCIA agreements are aggregated with the other capital lease obligations on the statement of net assets for year end.

Leased assets under capital leases in capital assets at June 30, 2008, included the following (expressed in thousands):

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	$ 470	$ 36,751	$ 168,784	$ 78,546	$ 284,551
Less: Accumulated depreciation	-	-	(22,240)	(38,231)	(60,471)
Total	$ 470	$ 36,751	$ 146,544	$ 40,315	$ 224,080

F. Other Liabilities and Arbitrage Rebate Liability

Claims and judgments, due to primary government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. At June 30, 2008 (December 31, 2007 for OTA and GRDA), the cumulative arbitrage rebate liability is as follows (expressed in thousands):

Reported as:	OSLA	GRDA
Accounts payable	$ -	$ 127
Other liabilities	341	-

G. Authorized Unissued Bonds

By statute, **Oklahoma Industrial Finance Authority** (OIFA) has authority to issue general obligation bonds not to exceed $90,000,000 plus the balance in its bond redemption account. This results in $34,645,000 of authorized but unissued general obligation bonds. Certain institutions within the **Higher Education** component unit have been authorized to issue revenue bonds in the amount of $419,700,000 for various construction, renovation and acquisition of property.

Note 12. Beginning Fund Balance/Net Assets Adjustments and Other Restatements

Primary Government

Beginning net assets related to Governmental Activities on the Statement of Net Assets have been restated due to accounting errors ($5,873,000), certain transactions being crossed between fund types ($24,913,000) and adjustments to capital assets $8,207,000. This restatement decreased beginning net assets by $22,579,000 at July 1, 2007.

Pension Trust Funds

Beginning net assets on the Statement of Changes in Fiduciary Net Assets for Fiduciary Funds and Similar Component Units have been restated due to a reclassification of the Oklahoma State Employees and Education Group Insurance Board ($173,126,000). This entity is now classified as component unit of the State. The net effect of this change was a decrease in beginning net assets of $173,126,000 at July 1, 2007.

Component Units

Beginning net assets for the Higher Education Component Unit have been restated due to accounting errors and the reclassification of certain funds. The net effect of the restatements reduced net assets by $14,286,000 as of July 1, 2007.

Beginning net assets for Component Units on the Statement of Net Assets have been restated due to a reclassification of the Oklahoma State Employees and Education Group Insurance Board. This entity was formerly classified as a pension trust and other employee benefit trust fund. This entity is now classified as a component unit of the State. The result of this reclassification increased the component units' net assets by $173,126,000 at July 1, 2007.

Beginning net assets for the Oklahoma Centennial Commemoration Fund have been restated due to accounting errors. The net effect of these restatements decreased the component units' net assets by $164,000 at July 1, 2007.

As a result of the above adjustments, component units beginning net assets on the Statement of Net Assets were increased by $158,676,000 at July 1, 2007.

Agency Funds

Total assets and total liabilities held for Other on the Combining Statement of Assets and Liabilities Agency Funds for fiscal year 2007 have been restated due to a reclassification of the Oklahoma State Employees and Education Group Insurance Board. The entity was formerly classified as a pension trust and other employee benefit trust fund. In addition to now being presented as a component unit, a portion is also classified as an agency fund. The result of this reclassification increased total assets and total liabilities for fiscal year 2007 by $22,160,000.

Note 13. Nonrecourse Debt and Debt Guarantees

Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of June 30, 2008 ODFA had 218 series of debt outstanding for non-state entities with an aggregate principal amount payable of approximately $1,500,000,000 and an original issuance amount of approximately $1,300,000,000. As of September 30, 2007 OHFA had 3 series of multi family bonds outstanding with an aggregate principal amount payable of approximately $12,221,000. These financings are not the general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of $100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2008, there were approximately $45,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately $51,000 to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2008, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans: Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the State. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP) which is part of the primary government. The Oklahoma Housing Finance Authority has a defined contribution plan that is privately administered.

A. Primary Government

1. General Description of the Retirement System

The Wildlife Conservation Retirement Plan (WCRP) is a single-employer defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute, however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The Wildlife Conservation Retirement Plan is included in the audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, 1801 N. Lincoln, Oklahoma City, OK 73105.

2. Funding Policy

The Wildlife Conservation Retirement Plan required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The Wildlife Conservation Retirement Plan receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2008, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2008 was $3,118,000.

3. Annual Pension Cost and Net Pension Obligation

The current year annual pension cost and net pension obligation for the Wildlife Conservation Retirement Plan was as follows (expressed in thousands):

	WCRP
Annual required contribution	$ 3,118
Interest on net pension obligation	136
Adjustment to annual required contribution	(229)
Annual pension cost	3,025
Contributions made	3,008
Increase (decrease) in net pension obligation	17
Net pension obligation-beginning of year	1,703
Net pension obligation-end of year	$ 1,720
Actuarial Assumptions:	
Investment rate of return	8.0%
Annual salary increase	5.0%
COLA increase	2.0%
Inflation rate	3.0%
Acuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2008 actuarial valuation. Actual contributions equaled 97% of required contributions and 99% of annual pension costs for fiscal year 2008. The actuarial value of assets is set equal to the market value of assets.

Three-Year Trend Information
Wildlife Conservation Retirement Plan
(expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2008	$ 3,025	99%	$ 1,719
6/30/2007	2,804	107%	1,703
6/30/2006	2,559	98%	1,908

The following Required Supplementary Information for the Wildlife Conservation Retirement Plan was determined as part of the actuarial valuations at the dates indicated.

Schedule of Funding Progress
Wildlife Conservation Retirement Plan
(unaudited)
(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2008	$ 71,289	$ 88,442	$ 17,153	80.6%	$ 14,462	118.6%
7/1/2007	66,932	82,876	15,944	80.8%	13,492	118.2%
7/1/2006	61,761	76,823	15,062	80.4%	13,311	113.2%

B. Component Units

1. General Description of the Retirement Systems

The Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Public Employees Retirement System (OPERS), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS) are all cost-sharing multi-employer defined benefit retirement systems. The Uniform Retirement System for Justices and Judges (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS) are single-employer defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Law Enforcement Retirement
4545 N. Lincoln Blvd., Suite 257
Oklahoma City, OK 73105-3414

Police Pension and Retirement
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7339

Public Employees Retirement
5801 N. Broadway Ext., Suite 400
Oklahoma City, OK 73118

Uniform Retirement System for
Justices and Judges
5801 N. Broadway Ext., Suite 400
Oklahoma City, OK 73118

Teachers' Retirement System
2500 N. Lincoln Blvd., 5TH Floor
Oklahoma City, OK 73105-4209

The number of participating employers in cost-sharing multiple employer plans is as follows:

OFPRS	OPERS	OPPRS	TRS
590	151	127	629

During fiscal year 2008, the Teachers' Retirement System's unfunded liability increased from $7,603,000,000 to $9,090,000,000. This increase was primarily due to an increase in the assumed rate of future cost of living adjustments from 1% to 2% per year. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial liability (the "UAAL") is 54.4 years.

2. Funding Policy

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. The Uniform Retirement System for Judges and Justices Board has the ability to adjust contribution rates to prevent a funded ratio of less than 100%. During the current year and the two years prior, 100% of required contributions were made into each PERS.

Oklahoma Firefighters Pension and Retirement System (OFPRS) receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute $60 for each volunteer firefighter unless their income in the general fund is less than $25,000, in which case they are exempt. Effective July 1, 2008, House Bill 3112 provided a 4% cost-of-living allowance for members receiving benefits as of June 30, 2007. The State of Oklahoma's total allocation to the Plan during 2008 was $53,000,000, which represented the 34% insurance premium tax allocation. Insurance premium contributions to the plan for the years ended June 30, 2008, 2007, and 2006 totaled $53,000,000, $56,000,000, and $58,000,000, respectively.

Oklahoma Law Enforcement Retirement System (OLERS) receives contributions from state agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. OLERS also receives other state contributions of 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 6.1% of the insurance premium taxes collected by the insurance commissioner as required by statute. The other state contributions to the plan for years ended June 30, 2008, 2007, and 2006 totaled $17,670,000, $18,162,000, and $16,152,000, respectively.

Oklahoma Public Employees Retirement System (OPERS) receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2008:

State employees and agencies – State employees contribute 3.5% on all salary. State agency employers contribute 13.5% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 7.5% up to a maximum of 12.5%. Combined employee and employer contributions equal 17% of total salary.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 13.5% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2008, 2007, and 2006 were $184,281,000, $166,432,000, and $143,823,000, respectively.

Uniform Retirement System for Justices and Judges (URSJJ) member contribution for fiscal year 2008 are 8% of members' monthly salary. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. Effective for the fiscal year ended June 30, 2008, the employer contribution rate increased to 5.5% of payroll and will increase 1.5% annually up to 22% for the fiscal years ending June 30, 2019, and thereafter. State employer contributions to URSJJ for the year ended June 30, 2008, 2007, and 2006 were $7,615,000, $5,936,000, and $4,441,000, respectively.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Insurance premium contributions to the plan for the years ended June 30, 2008, 2007, and 2006 totaled $26,020,000, $28,122,000, and $23,584,000, respectively.

Teachers' Retirement System (TRS) receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. Beginning July 1, 2008 members employed by a comprehensive university will have the full amount of regular compensation considered, subject to contribution limits established under the Internal Revenue code.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.85% from July 1, 2007 to December 31, 2007 and 8.35% from January 1, 2008 to June 30, 2008 for all remitting entities other than comprehensive and four year universities. The employer contribution rate for comprehensive and four year universities was 7.05%. New legislation enacted in 2007 will systematically raise employer contribution rates for all entities other than comprehensive and four year universities to 9.5% on January 1, 2010 and thereafter. Employer contribution rates for comprehensive and four year universities will also systematically increase to 8.55% on January 1, 2010 and thereafter. Oklahoma statutes require the state to contribute 4.5% of the State's sales, income and use tax. Amended statutes increased this contribution rate to 5% at July 1, 2007. In addition, the system receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. TRS received contributions of approximately $267,000,000 from this source for fiscal year 2008. State contributions on behalf of employees totaled approximately $36,366,000 for fiscal year 2008. State employer contributions to TRS for the year ended June 30, 2008, 2007, and 2006 were $6,049,000, $5,376,000, and $4,774,000, respectively.

3. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	OLERS	URSJJ
Annual required contribution	$ 32,668	$ 7,615
Interest on net pension obligation	(419)	(413)
Adjustment to annual required contribution	635	548
Annual pension cost	32,884	7,750
Contributions made	25,023	1,689
Increase (decrease) in net pension obligation	7,861	6,061
Net pension obligation-beginning of year	(5,591)	(5,692)
Net pension obligation-end of year	$ 2,270	$ 369
Actuarial Assumptions:		
Investment rate of return	7.5%	7.50%
Annual salary increase	4-8%	5.5%
COLA increase	3.0%	2.0%
Inflation rate	3.3%	3.0%
Acuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	13 years	20 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2007 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions equaled 22% of the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2007 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 76% of the annual required contributions for the current year.

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.25% rate of return for URSJJ and 7.5% rate of return for OLERS. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2008	$ 32,884	76%	$ 2,270
	6/30/2007	32,987	75%	(5,591)
	6/30/2006	39,290	56%	(14,135)
Uniform Retirement System for Justices and Judges	6/30/2008	7,750	22%	369
	6/30/2007	6,167	20%	(5,692)
	6/30/2006	4,683	17%	(10,635)

The following Required Supplementary Information for OLERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

Schedules of Funding Progress

Oklahoma Law Enforcement Retirement System

(unaudited)

(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2008	$ 731,000	$ 881,000	$ 150,000	83.0%	$ 74,000	205.0%
7/1/2007	697,560	840,557	142,997	83.0%	63,764	224.3%
7/1/2006	651,671	772,269	120,598	84.4%	57,116	211.1%

Uniform Retirement System for Judges and Justices

(unaudited)

(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2008	$ 235,297	$ 244,062	$ 8,765	96.4%	$ 32,389	27.1%
7/1/2007	224,578	227,062	2,484	98.9%	32,192	7.7%
7/1/2006	210,376	205,305	(5,071)	102.5%	27,488	(18.4%)

4. Other Retirement Systems

The Oklahoma Housing Finance Agency (OHFA), a component unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 12.5% of eligible employees' compensation. Employees begin vesting after two years of service and become fully vested after six years of service. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was $796,834,000. The institution contributions were $62,971,000 or 7.9% of covered payroll. Employees are not required to contribute to the plans.

Several institutions in the Higher Education Component Unit also sponsor supplemental retirement annuities to guarantee eligible retirees a minimum level of benefits from other retirement sources. New employees are not eligible to participate in these plans. These annuities operate as defined benefit plans. Funding varies among institutions, with some funding based on actuarial calculations and others on a pay-as-you-go basis. Employees are not required to contribute to these plans.

Note 15. Other Postemployment Benefits

1. General Description of the Other Postemployment Benefit Plan

The Oklahoma State and Education Employee Group Insurance Board (OSEEGIB) is a public entity risk pool and an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan. OSEEGIB is a self-insured legal trust for administering, managing and providing group health, dental, life and disability plans and benefits to active employees and retirees of state agencies, school districts and other governmental units. The plan provides coverage for retiree dependents when so elected. This plan was established under State statute Title 74, sections 1301 et seq. as amended. OSEEGIB has an eight member board that administers the plan and is charged with the fiduciary responsibility of managing the funds and investing the assets of the plan. OSEEGIB issues an independent audit report that may be obtained from the Oklahoma State and Education Employees Group Insurance Board, 3545 NW 58th, Suite 1000, Oklahoma City, OK 73112-4725. At December 31, 2007, OSEEGIB had 132 divisions of the state, 617 school districts, 315 local government entities and 32 other groups participating in the plan. There were also contributions received and health benefits provided to 79,000 dependents associated with the employer participants.

Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* defines most situations where retirees pay the same premiums as current employees for health coverage as a subsidy, and consequently as OPEB. Since OSEEGIB is a legal trust for all benefits, the assets and liabilities related to retirees are not segregated from the remaining assets and liabilities of the insurance plans. As a result, Governmental Accounting Standards Board Statement No. 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* states that these OPEB assets and liabilities must be presented in an agency fund. Accordingly, this OPEB plan is now combined and presented with Other Agency Funds.

2. Funding Policy

The Oklahoma State and Education Employees Group Insurance Board, a legal trust, operates as an insurance company. The OSEEGIB board has the authority to amend the plan structure and set premium or contribution rates each year. The board utilizes an outside consultant to analyze actual claims experience and establish contribution or premium rates on a calendar year basis. The plan is also an access provider to other health and dental plans, primarily board approved health

maintenance organizations (HMOs) and dental maintenance organizations (DMOs). All eligible insurance plans are added to the pool of benefits a participant may select from. OSEEGIB receives monthly premium contributions from all retirees. Retired participants paid a premium that ranged from a low of $302 to a high of $607 per month in calendar year 2007, depending on the type of plan selected for health insurance coverage. Although various other types of insurance coverage are available to retirees, health coverage represents the material cost to the plan.

The State has three cost-sharing multi-employer retirement systems that make payments into the plan on behalf of retirees should the retiree so elect. These plans are the Oklahoma Public Employees Retirement System (OPERS), the Uniform Retirement System for Justices and Judges (URSJJ), and the Teachers' Retirement System of Oklahoma (TRS). The State also has one single employer retirement system that makes payments to the plan on behalf of retirees, the Oklahoma Law Enforcement Retirement System (OLERS). As mandated by statute, these plans pay between $100 and $105 per month into the plan on behalf of retirees if so elected. For fiscal years 2008, 2007 and 2006 the retirement systems paid into the plan as follows, representing 100% of the State's required contributions to the OPEB plan:

	FY 2008 Contributions	FY 2007 Contributions	FY 2006 Contributions
OPERS	$ 17,347,000	$ 17,100,000	$ 17,000,000
URSJJ	136,000	129,000	127,000
TRS	30,404,000	30,492,000	30,422,000
OLERS	721,000	703,000	651,000
	$ 48,608,000	$ 48,424,000	$ 48,200,000

The annual required contributions for OPEB in OSEEGIB's agency fund were determined as part of the December 31, 2007 actuarial valuation. Costs were prepared using the Entry Age Normal cost method. A discount rate of 3.5% was assumed, and the trend on retiree costs were declining from a range of 8.5% to 7.5% for medical and pharmacy to 5% over a nine-year period and held consistent thereafter. The following Required Supplementary Information for OSEEGIB's agency fund OPEB plan is presented for 1 year representing the first year of actuarial valuation.

Schedules of Funding Progress
Oklahoma State Education and Employee Group Insurance Board - Agency Fund
(unaudited)
(expressed in thousands)

Acturial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2008	$ -	$ 359,800	$ 359,800	0.0%	$ 4,043,400	8.9%

Schedule of Employer Contributions
Oklahoma State Education and Employee Group Insurance Board - Agency Fund
(unaudited)
(expressed in thousands)

Fiscal Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	$ 147,700	0.0%

While an actuarial value has been determined and presented as required by Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, there is no intent by the State to pre-fund this liability, and the State has no legal liability for payment into the OPEB plan other than the statutorily required pension contributions made on the retirees behalf.

Component Units

Twenty of the institutions included in the Higher Education Component Unit sponsor single-employer other post employment benefits (OPEB) plans as designated by each institution's governing Board of Regents. These independent trust plans primarily provide supplemental health, dental, and life insurance benefits to participating retirees. Eligibility requirements and benefits differ significantly between the participating higher education institutions. Current year benefit expenditures, funded primarily on a pay-as-you-go basis, totaled approximately $9,028,000 in fiscal year 2008 for the twenty participating institutions. Complete disclosure for each higher education institution can be obtained from the Oklahoma State Regents for Higher Education, P.O. Box 108850, Oklahoma City, OK 73101-8850.

Note 16. On-Behalf Payments

The Teacher's Retirement System (TRS) of Oklahoma receives 5% of the State's sales, use, corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected dedicated taxes allocated to the TRS will increase from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of the net lottery proceeds collected by the State. The System received approximately $267,000,000 from the State for the year ended June 30, 2008.

Note 17. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2008, of approximately $707,562,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The **Department of Human Services** (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling $65,458,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling $102,187,000 at June 30, 2008.

Oklahoma State University had outstanding commitments under construction contracts of approximately $103,385,000 at June 30, 2008. In addition, Cowboy Athletics, Inc., a component unit of Oklahoma State University, had significant construction in process on several projects which will be contributed to the University upon completion. At December 31, 2007, approximately $101,143,000 was spent on these projects and management's estimated cost to complete the projects is approximately $149,000,000.

The **Oklahoma Student Loan Authority** (OSLA) has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase and sale commitments, OSLA is required to purchase Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 2008, OSLA was committed to purchase approximately $268,000,000 of FFEL.

The **Oklahoma Turnpike Authority** (OTA) had commitments outstanding at December 31, 2007, relating to equipment orders and supplies of approximately $6,866,000. At December 31, 2007, OTA had commitments outstanding relating to construction and maintenance contracts of approximately $39,806,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately $12,097,000 of power pursuant to several long-term purchase agreements during 2007. OMPA is obligated to purchase, at a minimum, approximately $11,073,000 of power in 2008.

The **University Hospitals Authority and University Hospitals Trust** (TUH) approved a construction and equipment project. Under the agreement, TUH is obligated to pay approximately $19,670,000 in planned capital expenditure allocation. At June 30, 2008, the entire obligation has been paid by TUH.

The **Grand River Dam Authority** makes and receives commitments for purchases of coal and other materials. The Authority had contractual commitments at December 31, 2007 for long-term coal and freight purchases under contracts through 2016 with estimated minimum obligations for the year ending December 31, 2008 of $96,656,000 and $877,736,000 through 2016.

Oklahoma Education Television Authority is in the process of converting to digital transmission as established by the Federal Communication Commission on May 1, 2003. The total estimated cost of the digital conversion is currently estimated to be $34,000,000. OETA has incurred approximately $15,083,000 in costs leaving a balance of $18,917,000. OETA has total funds on hand or committed of less that $5,691,000 resulting in an estimated shortfall of $13,226,000. State appropriations have been requested to cover unfunded future obligations.

Note 18. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2008. The State has accrued a liability of $9,023,000 under claims and judgments for the payment of such claims. This amount is reported in the General Fund.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2008, the State is unable to estimate what liabilities may result from such audits.

Primary Government

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, the reimbursement of expenditures is highly probable. At June 30, 2008, the Department of Transportation had project expenditures totaling $3,635,000 that will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board** (Board), pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately $38,400,000. Payments on the reservoir began in 1983 and are to continue for 50 years. As of June 30, 2008, the State has made payments of approximately $4,538,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1996. The amount in arrears, including interest and penalty is approximately $16,766,000. In June 2006, the 10th U.S. Circuit Court of Appeals ruled that the State of Oklahoma is legally required to perform it's obligations under the 1974 contract. In fiscal 2007 the United States Supreme Court denied review, and the United States claimed that $71,700,000 is now due. However, in 2008, the U.S. Department of Justice informed the State that it owes $21,764,000 for present use water supply storage at

Sardis Lake. The difference between the amount owed and the amount in arrears is $4,998,000, which is recorded as a claim payable in the governmental activities.

Component Units

The **Oklahoma Capital Investment Board** (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. OCIB also has a $30,000,000 line of credit and a $25,000,000 term loan. As of June 30, 2008, the outstanding debt in connection with the line of credit and term note was approximately $35,406,000. In addition to the long-term debt, OCIB reported a June 30, 2008 net asset deficit of $10,034,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2008, $12,700,000 of tax credits had been transferred. Four entities currently have signed agreements to purchase up to an aggregate of $8,000,000 of tax credits per year at the sole discretion of OCIB. OCIB has the authority to issue up to $20,000,000 of tax credits per year with an overall maximum of $100,000,000.

At December 31, 2007, the **Grand River Dam Authority** (GRDA) had settled the remaining six claims related to the alleged flooding of property upstream from Grand Lake in the early 1900s. The Plaintiffs had sought damages in the approximate amount of $10,000,000, and the amount of any damages to be awarded will be determined individually subsequent to trial of each claim.

The Authority is also the defendant in another case which involves approximately 50 landowners claiming a constitutional taking due to flooding. Until further information related to these claims is obtained, the Authority is unable to assess the probability or amount of liability, if any, in these cases.

Note 19. Subsequent Events

Subsequent to June 30, 2008, the United States financial markets and banking systems have experienced substantial volatility, resulting in a considerable downward fluctuation. These events have had a negative impact on the investment portfolios of the State. The Fiduciary Funds and Component Units are at a higher risk of exposure due to the long term focus of their investment portfolios and may experience considerable volatility in investment values in the near term.

Primary Government

Oklahoma Department of Transportation received $98,230,000 in grant anticipation notes to fund road construction projects throughout the state.

Oklahoma Capitol Improvement Authority (OCIA) issued lease revenue bonds totaling $11,600,000 for a Supreme Court project and $25,380,000 for the Native American Center Project. OCIA has currently authorized but not issued bonds totaling $25,000,000 for Conservation Projects, $25,000,000 for Arkansas River Projects, and $110,000,000 for the Endowed Chairs Program.

Component Units

Oklahoma Municipal Power Authority issued power supply revenue bonds totaling $99,330,000.

Oklahoma Student Loan Authority (OSLA) issued Series 2008A bonds totaling $175,305,000 to refund outstanding tax-exempt issues.

Oklahoma Housing Finance Agency issued single-family mortgage revenue bonds totaling $40,000,000.

Oklahoma Development Finance Authority (ODFA) issued $21,510,000 for the Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds. Currently ODFA has authorized but not issued bonds totaling $7,485,000 for the Regents' Master Equipment Lease Program and $15,310,000 for the Regents' Master Real Lease Program.

Required Supplementary Information
Budgetary Schedule

Required Supplementary Information
Budgetary Schedule

State of Oklahoma
Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
EDUCATION						
State Arts Council						
01	Duties	$ 5,051	$ -	$ 5,051	$ 3,102	$ 1,949
02	Arts Council Arts Education Revolving Fund	100	-	100	100	-
11	FY-07 Carryover	-	130	130	130	-
Agency Total		5,151	130	5,281	3,332	1,949
Department of Career and Technology Education						
08	Duties	149,964	-	149,964	137,481	12,483
09	Volunteer Firefighter Training	400	-	400	-	400
18	FY-07 Carryover	-	7,124	7,124	6,595	529
Agency Total		150,364	7,124	157,488	144,076	13,412
Department of Education						
01	Financial support of Public Schools	1,247,332	-	1,247,332	1,247,332	-
01	Financial support of Public Schools (Min Lea)	4,560	-	4,560	4,560	-
02	Financial support of Public Schools (Min Lea)	2,227	-	2,227	2,227	-
02	Public School Activities	415,484	-	415,484	411,096	4,388
19	Textbooks	33,000	-	33,000	33,000	-
04	Education Leadership Oklahoma	5,972	-	5,972	5,972	-
03	Admin & Support Functions - DOE	24,255	-	24,255	14,023	10,232
6	FY-07 Carryover	-	1,204	1,204	600	604
7	FY-07 Carryover	-	8,660	8,660	6,327	2,333
08	Financial Support of Public Schools	-	10,000	10,000	10,000	-
09	Academic Achievement Awards	-	1,500	1,500	1,500	-
10	Financial Support of Public Schools	-	19,213	19,213	19,213	-
11	Financial Support of Public Schools	-	27,711	27,711	27,711	-
12	Ad Valorem	-	16,100	16,100	16,100	-
Agency Total		1,732,830	84,388	1,817,218	1,799,661	17,557
Commission of the Land Office						
01	Duties	4,865	-	4,865	4,586	279
11	FY-07 Carryover	-	145	145	129	16
Agency Total		4,865	145	5,010	4,715	295
Department of Libraries						
01	Duties	7,295	-	7,295	6,819	476
11	FY-07 Carryover	-	244	244	244	-
Agency Total		7,295	244	7,539	7,063	476
Center for Advancement of Science and Technology						
01	Duties	691	-	691	678	13
02	To Research Support Rev Fund (200)	21,766	-	21,766	21,766	-
11	FY-07 Carryover	-	12	12	12	-
Agency Total		22,457	12	22,468	22,456	13
Physicial Manpower Training Commission						
01	Duties	5,123	-	5,123	5,112	11
04	Duties	400	-	400	372	28
11	FY-07 Carryover	-	24	24	24	-
Agency Total		5,523	24	5,546	5,507	39
Oklahoma School of Science and Math						
01	Duties	5,618	-	5,618	4,806	812
02	Pilot Outreach Programs	1,968	-	1,968	1,692	276
11	FY-07 Carryover	-	512	512	512	-
12	FY-07 Carryover	-	91	91	91	-
Agency Total		7,586	603	8,190	7,100	1,089
Education Total		1,936,071	92,670	2,028,741	1,993,911	34,830

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
GENERAL GOVERNMENT						
State Auditor and Inspector						
01	Duties	5,915	-	5,915	5,897	18
02	County Govt Personnel Educ & Trng	400	-	400	367	33
11	FY-07 Carryover	-	8	8	8	-
Agency Total		6,315	8	6,315	6,263	52
State Bond Advisor						
01	Duties	186	-	186	186	-
Agency Total		186	-	186	186	-
Department of Central Services						
01	Duties	16,387	-	16,387	13,072	3,315
04	Maintenance of the Hissom Center	151	-	151	84	67
03	For transfer to Bldg & Fac Revolv (Fund 245)	821	-	821	821	-
01	For transfer to Bldg & Fac Revolv (Fund 245)	1,695	-	1,695	1,695	-
11	FY-07 Carryover	-	981	981	975	6
14	FY-07 Carryover	-	36	36	36	-
Agency Total		19,054	1,017	20,070	16,683	3,387
Department of Commerce						
04	Duties	28,105	-	28,105	24,823	3,282
11	FY-07 Carryover	-	9	9	5	4
14	FY-07 Carryover	-	1,280	1,280	883	397
16	FY-07 Carryover	-	1	1	1	-
Agency Total		28,105	1,290	29,395	25,712	3,683
State Election Board						
01	Duties	6,806	-	6,806	5,794	1,012
07	Expenses of Holding Elections	980	-	980	721	259
11	FY-07 Carryover	-	43	43	34	9
14	FY-07 Carryover	-	988	988	745	243
16	FY-07 Carryover	-	493	493	457	36
Agency Total		7,786	1,524	9,310	7,751	1,559
Ethics Commission						
01	Duties	518	-	518	495	23
Agency Total		518	-	518	495	23
Office of State Finance						
01	Duties	12,082	-	12,082	8,896	3,186
03	Duties	11,000	-	11,000	5,069	5,931
12	FY-07 Carryover	-	1,062	1,062	639	423
11	FY-07 Carryover	-	1,073	1,073	606	467
Agency Total		23,082	2,136	25,218	15,211	10,008
Governor						
01	Duties	2,662	-	2,662	2,588	74
11	FY-07 Carryover	-	255	255	255	-
Agency Total		2,662	255	2,917	2,843	74
Lieutenant Governor						
01	Duties	693	-	693	487	206
11	FY-07 Carryover	-	69	69	68	1
Agency Total		693	69	762	556	206
Merit Protection Commission						
01	Duties	649	-	649	604	45
11	FY-07 Carryover	-	21	21	20	1
Agency Total		649	21	670	624	46
Office of Personnel Management						
01	Duties	4,892	-	4,892	4,081	811
11	FY-07 Carryover	-	345	345	345	-
Agency Total		4,892	345	5,237	4,426	810

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
Secretary of State						
01	Duties	531	-	531	531	-
Agency Total		531	-	531	531	-
Oklahoma Tax Commission						
30	Duties	48,201	-	48,201	48,038	163
Agency Total		48,201	-	48,201	48,038	163
Oklahoma Commission for Teacher Preparation						
01	Duties	2,060	-	2,060	1,494	566
11	FY-07 Carryover	-	551	551	1	550
Agency Total		2,060	551	2,611	1,495	1,116
State Treasurer						
01	Duties	4,569	-	4,569	3,527	1,042
06	To Pay Bank Service Charges	100	-	100	100	-
11	FY-07 Carryover	-	293	293	290	3
Agency Total		4,669	293	4,962	3,916	1,045
General Government Total		149,402	7,510	156,908	134,735	22,172
HEALTH SERVICES						
Department of Health						
01	Duties	59,029	-	59,029	55,035	3,994
12	To Child Abuse Prevention (Fund 265)	3,336	-	3,336	3,336	-
17	Dental Loan Repayment Revolving Fund	250	-	250	250	-
23	To Kidney Health Revolving (Fund 202)	114	-	114	114	-
40	Alternatives to Abortion Services Rev Fund	40	-	40	40	-
50	Disaster and Emergency Medicine Rev Fund	3,000	-	3,000	3,000	-
04	Margaret Hudson Program	34	-	34	31	3
09	Emerson Teen Parent Program	107	-	107	90	17
37	Oklahoma Institute for Child Advocacy	75	-	75	68	7
15	Dental Services for the Disabled/Elderly	137	-	137	130	7
29	Hearts for Hearing Foundation	200	-	200	163	37
43	College of Osteo Med Area Hlth Ed Ctrs	565	-	565	365	200
08	Sickle Cell Research Foundation	183	-	183	174	9
48	Alzheimer's Association, OK Chapter	8	-	8	6	2
10	OUHSC Pathology Department	44	-	44	39	5
11	Tolliver Alternative Care Center, Inc.	37	-	37	33	4
47	OUHSC Pediatric Endocrinology Dept	93	-	93	85	8
26	Emergency Medical Services Authority	400	-	400	296	104
45	North Tulsa Heritage Foundation, Inc.	36	-	36	30	6
44	Metropolitan Tulsa Urban League, Inc.	39	-	39	22	17
42	Greenwood Educational & Cultural Center	119	-	119	85	34
31	OK Dental Foundation	100	-	100	100	-
18	OU College of Medicine - Tulsa	400	-	400	-	400
39	OSU College of Osteopathic Medicine	500	-	500	-	500
30	OK Economic Development Association	19	-	19	-	19
41	Bd. Of Examiners for Nursing Home Admin.	347	-	347	264	83
19	High-risk perinatal direct services	2,254	-	2,254	2,203	51
20	Perinatal continuing education	209	-	209	164	45
24	Community Health Centers	1,341	-	1,341	1,006	335
38	Primary Care and Rural Health Development	700	-	700	453	247
16	Eastern OK Donated Dental Services	70	-	70	70	-
60	FY-07 Carryover	-	123	123	123	-
61	FY-07 Carryover	-	243	243	87	156
Agency Total		73,786	366	74,152	67,862	6,290
Mental Health and Substance Abuse						
01	Duties	207,529	-	207,529	178,552	28,977
11	FY-07 Carryover	-	8,435	8,435	8,432	3
Agency Total		207,529	8,435	215,964	186,984	28,980
Health Services Total		281,315	8,801	290,116	254,846	35,270
LEGAL AND JUDICIARY						
Attorney General						
01	Duties	13,924	-	13,924	13,432	492
02	United Comm Action Prgm/Pawnee CASA	20	-	20	18	2
11	FY-07 Carryover	-	30	30	30	-
Agency Total		13,944	30	13,975	13,480	494

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
Council on Judicial Complaints						
01	Duties	284	-	284	208	76
11	FY-07 Carryover	-	43	43	43	-
Agency Total		284	43	327	252	76
Court of Criminal Appeals						
01	Duties	3,490	-	3,490	3,351	139
11	FY-07 Carryover	-	65	65	65	-
Agency Total		3,490	65	3,554	3,416	139
District Attorneys Council						
01	Duties	39,920	-	39,920	38,998	922
11	FY-07 Carryover	-	702	702	696	6
Agency Total		39,920	702	40,623	39,694	929
District Courts						
01	Duties - District Courts	21,450	-	21,450	21,071	379
11	FY-07 Carryover	-	866	866	866	-
Agency Total		21,450	866	22,316	21,937	379
Indigent Defense System						
01	Duties	16,304	-	16,304	14,120	2,184
11	FY-07 Carryover	-	1,602	1,602	1,602	-
Agency Total		16,304	1,602	17,906	15,722	2,184
Supreme Court						
01	Duties	17,006	-	17,006	12,596	4,410
02	To Legal Svcs Revolving (Fd 225)	1,165	-	1,165	1,165	-
06	To Supreme Court Revolving (Fund 205)	950	-	950	950	-
07	Duties	300	-	300	295	5
11	FY-07 Carryover	-	2,550	2,550	2,534	16
Agency Total		19,421	2,550	21,971	17,540	4,431
Workers Compensation Court						
01	Duties	5,242	-	5,242	5,242	-
Agency Total		5,242	-	5,242	5,242	-
Legal and Judiciary Total		120,055	5,858	125,913	117,282	8,631
MUSEUMS						
Oklahoma Capitol Complex & Centennial Commission						
01	Duties	1,067	-	1,067	1,066	1
Agency Total		1,067	-	1,067	1,066	1
Historical Society						
01	Duties	14,687	-	14,687	13,299	1,388
11	FY-07 Carryover	-	1,227	1,227	1,188	39
Agency Total		14,687	1,227	14,687	13,299	1,428
J.M. Davis Memorial Commission						
01	Duties	535	-	535	367	168
Agency Total		535	-	535	367	168
Will Rogers Memorial Commission						
01	Duties	1,084	-	1,084	923	161
11	FY-07 Carryover	-	3	3	3	-
Agency Total		1,084	3	1,084	923	161
Museums Total		17,373	1,230	17,988	16,251	1,758
NATURAL RESOURCES						
Department of Agriculture						
01	Duties	29,009	-	29,009	26,147	2,862
06	Duties	4,500	-	4,500	4,468	32
04	Volunteer Firefighter Group Ins CompSource	169	-	169	169	-
11	FY-07 Carryover	-	652	652	326	326
Agency Total		33,678	652	34,330	31,110	3,220

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
Conservation Commission						
01	Duties	9,187	-	9,187	8,473	714
Agency Total		9,187	-	9,187	8,473	714
Department of Environmental Quality						
01	Duties	9,728	-	9,728	9,421	307
Agency Total		9,728	-	9,728	9,421	307
Scenic Rivers Commission						
01	Duties	345	-	345	292	53
Agency Total		345	-	345	292	53
Department of Tourism and Recreation						
01	Duties	27,827	-	27,827	24,248	3,579
11	FY-07 Carryover	-	2,247	2,247	2,045	202
12	FY-07 Carryover	-	48	48	-	48
Agency Total		27,827	2,295	30,122	26,293	3,829
Water Resources Board						
01	Duties	4,301	-	4,301	3,795	506
4	Rural Water Association	301	-	301	275	26
02	To WRB's REAP (Fund 225) for Duties	2,200	-	2,200	2,200	-
11	FY-07 Carryover	-	1	1	1	-
14	FY-07 Carryover	-	7	7	7	-
Agency Total		6,802	8	6,810	6,278	532
Natural Resources Total		87,567	2,955	90,522	81,867	8,655
PUBLIC SAFETY AND DEFENSE						
Alcoholic Beverage Laws Enforcement						
01	Duties	3,925	-	3,925	3,863	62
Agency Total		3,925	-	3,925	3,863	62
State Bureau of Investigation						
01	Duties	17,316	-	17,316	16,086	1,230
11	FY-07 Carryover	-	318	318	154	164
Agency Total		17,316	318	17,634	16,240	1,394
Department of Corrections						
30	Duties	446,747	-	446,747	413,101	33,646
60	Duties	30,796	-	30,796	30,796	-
40	Duties	-	24,000	24,000	18,582	5,418
31	FY-07 Carryover	-	10,203	10,203	7,292	2,911
Agency Total		477,543	34,203	511,746	469,771	41,975
Council on Law Enforcement, Education and Training						
01	Duties	3,427	-	3,427	3,092	335
02	Duties	396	-	396	396	-
01	Duties	587	-	587	536	51
11	FY-07 Carryover	-	130	130	17	113
Agency Total		4,410	130	4,540	4,041	499
Department of Emergency Management						
01	Duties	837	-	837	808	29
11	FY-07 Carryover	-	13	13	13	-
Agency Total		837	13	850	821	29
State Fire Marshal						
01	Duties	2,271	-	2,271	2,267	4
Agency Total		2,271	-	2,271	2,267	4
Board of Medicolegal Investigation						
01	Duties	4,826	-	4,826	4,645	181
11	FY-07 Carryover	-	107	107	50	57
Agency Total		4,826	107	4,933	4,695	238

		GENERAL FUND				
		BUDGET				
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
Oklahoma Military Department						
01	Duties	13,505	-	13,505	10,669	2,836
11	FY-07 Carryover	-	1,062	1,062	840	222
Agency Total		13,505	1,062	14,567	11,509	3,058
Bureau of Narcotics and Dangerous Drugs						
01	Duties	6,774	-	6,774	6,773	1
11	FY-07 Carryover	-	33	33	33	-
Agency Total		6,774	33	6,807	6,806	1
Pardon and Parole Board						
01	Duties	2,578	-	2,578	2,502	76
11	FY-07 Carryover	-	84	84	43	41
Agency Total		2,578	84	2,662	2,545	117
Department of Public Safety						
01	Duties	97,929	-	97,929	92,579	5,350
02	Capitol Patrol Officer - Workers Comp Court	26	-	26	26	-
03	Clinton/Sherman Industrial Complex	65	-	65	60	5
06	OK Climitological Survey	350	-	350	351	(1)
Agency Total		98,370	-	98,370	93,016	5,354
Public Safety and Defense Total		632,355	35,950	668,305	615,574	52,731
REGULATORY SERVICES						
Commission on Consumer Credit						
01	Duties	669	-	669	641	28
11	FY-07 Carryover	-	20	20	1	19
Agency Total		669	20	689	642	47
Corporation Commission						
01	Duties	12,210	-	12,210	11,411	799
4	Duties	-	3,100	3,100	2,807	293
11	FY-07 Carryover	-	1,071	1,071	972	99
12	FY-07 Carryover	-	27	27	27	-
Agency Total		12,210	4,198	16,408	15,217	1,191
Oklahoma Horse Racing Commission						
01	Duties	2,670	-	2,670	2,528	142
Agency Total		2,670	-	2,670	2,528	142
Insurance Department						
01	Duties	2,516	-	2,516	2,516	-
Agency Total		2,516	-	2,516	2,516	-
Department of Labor						
01	Duties	1,851	-	1,851	1,826	25
01	Duties	1,602	-	1,602	1,498	104
02	Duties	307	-	307	295	12
11	FY-07 Carryover	-	41	41	41	-
Agency Total		3,760	41	3,801	3,660	141
Department of Mines						
01	Duties	1,014	-	1,014	970	44
11	FY-07 Carryover	-	66	66	65	1
Agency Total		1,014	66	1,080	1,035	45
Regulatory Services Total		22,839	4,325	27,164	25,598	1,566
SOCIAL SERVICES						
Commission on Children and Youth						
10	Duties	2,334	-	2,334	1,852	483
40	FY-07 Carryover	-	235	235	235	-
Agency Total		2,334	235	2,569	2,087	483

		GENERAL FUND				
			BUDGET			
		ORIGINAL	*Amendments*	FINAL	ACTUAL	VARIANCE
Office of Handicapped Concerns						
01	Duties	413	-	413	402	11
Agency Total		413	-	413	402	11
Health Care Authority						
01	Duties (to Disbursing Funds 200 and 340)	741,544	-	741,544	741,544	-
06	Duties (to Disbursing Funds 200 and 340)	20,000	-	20,000	20,000	-
Agency Total		761,544	-	761,544	761,544	-
Oklahoma Human Rights Commission						
10	Duties	710	-	710	696	14
20	FY-07 Carryover	-	3	3	1	2
Agency Total		710	3	713	697	16
Department of Human Services						
01	Duties (to Disbursing Funds)	531,019	-	531,019	531,019	-
06	Duties (to Disbursing Funds)	25,000	-	25,000	25,000	-
02	2-1-1 Call Center	130	-	130	130	-
03	Level C Group Homes	150	-	150	150	-
04	Additional Level C Beds	167	-	167	167	-
05	Travel Reimbursement - Senior Volunteer Prgm	241	-	241	241	-
06	Reintegration of Inmates Revolving Fund**	100	-	100	100	-
07	High Risk Child Abuse Project	300	-	300	300	-
Agency Total		557,107	-	557,107	557,107	-
Oklahoma Indian Affairs Commission						
10	Duties	258	-	258	176	82
20	FY-07 Carryover	-	90	90	87	3
Agency Total		258	90	348	263	85
J.D. McCarty Center						
10	Duties	4,453	-	4,453	4,451	2
Agency Total		4,453	-	4,453	4,451	2
Office of Juvenile Affairs						
01	Duties	95,657	-	95,657	88,350	7,307
08	Duties	10,000	-	10,000	9,062	938
02	Juvenile Detention Centers Rate Formula	270	-	270	-	270
03	Salary Increases for Classified Positions	1,223	-	1,223	1,182	41
04	Level E Group Homes	486	-	486	439	47
05	Youth Services Agencies	2,000	-	2,000	1,959	41
06	Community Intervention Centers (Tulsa)	300	-	300	-	300
07	Community Intervention Centers (Woodward)	125	-	125	64	61
9	Duties	-	2,000	2,000	490	1,510
11	FY-07 Carryover	-	939	939	903	36
12	FY-07 Carryover	-	154	154	154	-
13	FY-07 Carryover	-	5	5	5	-
14	FY-07 Carryover	-	2	2	2	-
15	FY-07 Carryover	-	17	17	17	-
16	FY-07 Carryover	-	275	275	275	-
17	FY-07 Carryover	-	18	18	18	-
Agency Total		110,061	3,410	113,471	102,920	10,551
Department of Rehabilitation Services						
01	Duties (to disbursing funds)	29,177	-	29,177	29,177	-
02	Teacher Pay Raise	102	-	102	102	-
03	Increased Debt Service	196	-	196	196	-
Agency Total		29,475	-	29,475	29,475	-
Department of Veteran Affairs						
01	Duties	40,283	-	40,283	38,455	1,828
11	FY-07 Carryover	-	964	964	954	10
Agency Total		40,283	964	41,247	39,409	1,838
Social Services Total		1,506,639	4,702	1,511,340	1,498,355	12,986
TRANSPORTATION						
Oklahoma Space Industry Develpment Auth.						
01	Duties to Space Industries Dev. (Fund 200)	530	-	530	530	-
Agency Total		530	-	530	530	-
Transportation Total		530	-	265	265	-
General Fund Total		$ 4,754,146	$ 164,000	$ 4,917,440	$ 4,738,860	$ 178,598

Note to Required Supplementary Information - Budgetary Reporting
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis. The Schedule represents budgetary comparisons at the legal level of budgetary control (i.e. line item level). The schedule is prepared on a cash basis plus encumbrances where the expenditures are expected to be presented by November 15th in the following fiscal year. Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis).

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2008, is presented below (expressed in thousands) for the General Fund:

Budgetary Basis Fund Balance, June 30, 2007	$	1,237,535
Excess of total sources over total uses of financial resources (Budgetary Basis)		32,671
Budgetary Basis Fund Balance, June 30, 2008		1,270,206
Entity and Perspective Differences:		
Non-budgeted Funds and Capital Funds		4,489,487
Encumbrances		100,964
Basis Differences:		
Add: Net accrued revenues, related receivables, and deferred revenues		1,248,194
Less: Net accrued expenditures and related liabilities		(2,845,159)
GAAP Basis Fund Balance, June 30, 2008	$	4,263,692

Combining Financial Statements

Combining Financial Statements

FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in a trustee capacity for the benefit of the Plan members.

WILDLIFE CONSERVATION RETIREMENT PLAN

This Plan is part of the primary government. The Plan accounts for transactions, assets, liabilities, and net assets available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the State:

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105

The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 257, Oklahoma City, Oklahoma 73105

The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152

The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152

The System provides retirement benefits for justices and judges in the State of Oklahoma.

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116

The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73105

The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the State, acting in the capacity of an agent, for distribution to non-state parties.

Taxes Held for Outside Entities is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

Funds Held in Escrow are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission (3) Workers' Compensation Claims Under Appeal maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits, an escrow account maintained by the Oklahoma Insurance Department for depositing of protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Funds in escrow at the Attorney General's Office received as a result of litigation.

Assets Held for Beneficiaries are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

Other is moneys accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) property distribution maintained by the Department of Central Services to account for federal surplus property transferred to the State's custody to be sold or donated to other governmental entities and/or specified nonprofit organizations and property seized by state organizations pending the outcome of legal proceedings, (3) deposits held by the Department of Central Services for bid process documents, (4) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, (5) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and being returned to the accounts contributors, and (6) funds held by the Oklahoma State Education and Employee Group Insurance Board for the payment of retiree other post-employment benefits.

State of Oklahoma
Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2008
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
Assets								
Cash/Cash Equivalents	$ 0	$ 39,339	$ 15,587	$ 61,474	$ 703	$ 6,234	$ 443,307	$ 566,644
Investments, at fair value								
Equity Securities	23,077	918,508	365,730	1,457,713	88,434	957,382	5,854,648	9,665,492
Governmental Securities	16,629	235,447	52,595	1,494,100	51,875	9,733	1,790,800	3,651,179
Debt Securities	13,995	139,838	165,283	1,017,273	39,316	308,364	1,029,069	2,713,138
Mutual Funds	10,427	0	0	2,377,290	52,020	442,694	0	2,882,431
Other Investments	2,205	398,136	66,137	0	0	0	0	466,478
Securities Lending Investments	0	236,657	95,229	863,067	22,036	71,086	1,603,993	2,892,068
Interest and Investment Revenue Receivable	0	996	3,111	20,212	642	2,948	33,222	61,131
Contributions Receivable:								
Employer	0	0	0	7,239	132	1,463	30,687	39,521
Employee	0	543	0	2,187	193	878	24,090	27,891
Other Contributions Receivable	0	911	1,859	0	0	0	28,970	31,740
Accounts Receivable	0	0	0	0	0	0	0	0
Other Receivables	0	345	10	0	2	0	0	357
Due from Brokers	0	1,173	1,759	335,272	10,551	0	332,966	681,721
Due from Other Funds	0	11,504	2,064	0	0	5,752	0	19,320
Capital Assets, Net	0	36	30	569	0	0	247	882
Other Assets	0	0	0	131	0	0	0	131
Total Assets	66,333	1,983,433	769,394	7,636,527	265,904	1,806,534	11,171,999	23,700,124
Liabilities								
Accounts Payable	0	1,484	463	0	0	1,121	0	3,068
Secuties Lending Payable	0	236,657	95,229	863,067	22,036	71,086	1,603,993	2,892,068
Due to Brokers	0	0	0	518,252	17,943	173	546,551	1,082,919
Due to Other Funds	0	0	0	1	0	5	1	7
Due to Component Units	0	0	1	0	0	0	8,405	8,406
Benefits in the Process of Payment	0	0	6,313	0	0	16,329	58,983	81,625
Other Liabilities	0	73	0	0	0	0	8,206	8,279
Total Liabilities	0	238,214	102,006	1,381,320	39,979	88,714	2,226,139	4,076,372
Fund Balance Reserved for Employees' Pension Benefits	$ 66,333	$ 1,745,219	$ 667,388	$ 6,255,207	$ 225,925	$ 1,717,820	$ 8,945,860	$ 19,623,752

State of Oklahoma
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
Additions								
Contributions								
Employer Contributions	$ 0	$ 30,384	$ 7,500	$ 220,076	$ 1,689	$ 30,061	$ 308,804	$ 598,514
Employee Contributions	417	17,926	5,462	66,699	2,486	17,997	295,661	406,648
Other Contributions	3,008	53,172	17,670	0	0	26,020	288,039	387,909
Total Contributions	3,425	101,482	30,632	286,775	4,175	74,078	892,504	1,393,071
Investment Income								
Net Appreciation in Fair Value of Investments	(2,681)	(84,144)	(70,343)	(434,709)	(14,167)	(54,576)	(959,037)	(1,619,657)
Interest and Investment Revenue	0	31,009	14,597	195,332	6,487	26,381	331,799	605,605
	(2,681)	(53,135)	(55,746)	(239,377)	(7,680)	(28,195)	(627,238)	(1,014,052)
Less Investment Expenses	0	16,118	7,702	37,271	1,056	15,192	95,190	172,529
Net Investment Income	(2,681)	(69,253)	(63,448)	(276,648)	(8,736)	(43,387)	(722,428)	(1,186,581)
Total Additions	744	32,229	(32,816)	10,127	(4,561)	30,691	170,076	206,490
Deductions								
Administrative and General Expenses	175	1,392	1,345	4,575	112	3,004	4,791	15,394
Benefit Payments and Refunds	3,168	133,767	42,584	390,822	9,653	86,255	870,467	1,536,716
Total Deductions	3,343	135,159	43,929	395,397	9,765	89,259	875,258	1,552,110
Net Increase	(2,599)	(102,930)	(76,745)	(385,270)	(14,326)	(58,568)	(705,182)	(1,345,620)
Fund Balance Reserved for Employees' Pension Benefits Beginning of Year (as restated)	68,932	1,848,149	744,133	6,640,477	240,251	1,776,388	9,651,042	20,969,372
End of Year	$ 66,333	$ 1,745,219	$ 667,388	$ 6,255,207	$ 225,925	$ 1,717,820	$ 8,945,860	$ 19,623,752

State of Oklahoma
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2008
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	$ 313,647	$ 17,946	$ 111,563	$ 26,163	$ 469,319
Investments	0	0	85	0	85
Accounts Receivable	2	3	46	57	108
Taxes Receivable	12,979	0	0	0	12,979
Due from Component Units	0	0	0	531	531
Inventory	0	0	0	6,566	6,566
Total Assets	$ 326,628	$ 17,949	$ 111,694	$ 33,317	$ 489,588
Liabilities					
Accounts Payable and Accrued Liabilities	$ 0	$ 52	$ 1,156	$ 0	$ 1,208
Tax Refunds Payable	1,496	0	0	0	1,496
Due to Other Funds	0	200	0	0	200
Due to Component Units	0	0	0	6,632	6,632
Due to Others	325,132	17,697	110,524	26,685	480,038
Total Liabilities	$ 326,628	$ 17,949	$ 111,694	$ 33,317	$ 489,588

State of Oklahoma
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	$ 158,446	$ 2,667,945	$ 2,512,744	$ 313,647
Accounts Receivable	0	2	0	2
Taxes Receivable	4	12,979	4	12,979
Total Assets	$ 158,450	$ 2,680,926	$ 2,512,748	$ 326,628
Liabilities				
Tax Refunds Payable	$ 2,952	$ 1,496	$ 2,952	$ 1,496
Due to Others	155,498	2,679,430	2,509,796	325,132
Total Liabilities	$ 158,450	$ 2,680,926	$ 2,512,748	$ 326,628
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	$ 11,801	$ 11,279	$ 5,134	$ 17,946
Accounts Receivable	16	3	16	3
Total Assets	$ 11,817	$ 11,282	$ 5,150	$ 17,949
Liabilities				
Accounts Payable and Accrued Liabilities	$ 103	$ 51	$ 102	$ 52
Due to Other Funds	236	200	236	200
Due to Others	11,478	11,031	4,812	17,697
Total Liabilities	$ 11,817	$ 11,282	$ 5,150	$ 17,949
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	$ 18,174	$ 382,902	$ 289,513	$ 111,563
Investments	152	0	67	85
Accounts Receivable	42	46	42	46
Total Assets	$ 18,368	$ 382,948	$ 289,622	$ 111,694
Liabilities				
Accounts Payable and Accrued Liabilities	$ 1,379	$ 1,211	$ 1,434	$ 1,156
Other Liabilities	0	14	0	14
Due to Others	16,989	381,723	288,188	110,524
Total Liabilities	$ 18,368	$ 382,948	$ 289,622	$ 111,694
Other				
Assets				
Cash/Cash Equivalents	$ 27,011	$ 564,799	$ 565,647	$ 26,163
Accounts Receivable	30	57	30	57
Due from Component Units	12	531	12	531
Inventory	7,192	6,566	7,192	6,566
Total Assets	$ 34,245	$ 571,953	$ 572,881	$ 33,317
Liabilities				
Due to Component Units	$ 12	$ 6,632	$ 12	$ 6,632
Due to Other Funds	4,212	0	4,212	0
Due to Others (as restated)	30,021	565,321	568,657	26,685
Total Liabilities	$ 34,245	$ 571,953	$ 572,881	$ 33,317
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	$ 215,432	$ 3,626,925	$ 3,373,038	$ 469,319
Investments	152	0	67	85
Accounts Receivable	88	108	88	108
Taxes Receivable	4	12,979	4	12,979
Due from Component Units	12	531	12	531
Inventory	7,192	6,566	7,192	6,566
Total Assets	$ 222,880	$ 3,647,109	$ 3,380,401	$ 489,588
Liabilities				
Accounts Payable and Accrued Liabilities	$ 1,482	$ 1,262	$ 1,536	$ 1,208
Tax Refunds Payable	2,952	1,496	2,952	1,496
Other Liabilities	0	14	0	14
Due to Other Funds	4,448	200	4,448	200
Due to Component Units	12	6,632	12	6,632
Due to Others (as restated)	213,986	3,637,505	3,371,453	480,038
Total Liabilities	$ 222,880	$ 3,647,109	$ 3,380,401	$ 489,588

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NONMAJOR COMPONENT UNITS

The State of Oklahoma has nine nonmajor component units which are described below:

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
P.O. Box 14190, Oklahoma City, Oklahoma 73113
The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY
301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116
The Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

HEALTH INSURANCE HIGH RISK POOL
3814 N. Santa Fe, Oklahoma City, Oklahoma 73118
The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

MULTIPLE INJURY TRUST FUND
P.O. Box 528801, Oklahoma City, Oklahoma 73152
The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

UNIVERSITY HOSPITALS AUTHORITY
940 N.E. 13th Street, Oklahoma City, Oklahoma 73104
The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116
The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA CAPITAL INVESTMENT BOARD
301 N.W. 63rd Street, Suite 520, Oklahoma City, Oklahoma 73116
The Authority assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY
1111 W. 17th Street, Tulsa, Oklahoma 74107
The Authority is charged with overseeing the 50-year Academic Affiliation Agreement signed between Tulsa Regional Medical Center and OSU Center for Health Sciences. The agreement provides for funding, teaching and training facilities to the graduate medical program associated with the Oklahoma State University Center for Health Sciences.

OKLAHOMA CENTENNIAL COMMEMORATION FUND
133 W. Main Street, Suite 122, Oklahoma City, Oklahoma 73102
The Fund is affiliated with the Capitol Complex and Centennial Commemorative Commission, and exists to support the Commission with the planning and financing of the 2007 State Centennial Commemoration.

State of Oklahoma
Combining Statement of Net Assets
NonMajor Component Units
June 30, 2008
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma State Univ. Medical Authority	Oklahoma Centennial Commemoration Fund	Nonmajor Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	$ 15,250	$ 3,564	$ 7,195	$ 40,782	$ 54,103	$ 1,434	$ 99	$ 0	$ 6,196	$ 128,623
Investments	25,869	0	0	0	38	11,111	0	0	2,014	39,032
Accounts Receivable	1,854	0	0	0	55	0	0	0	2,605	4,514
Interest and Investment										
Revenue Receivable	131	212	0	171	104	81	0	0	0	699
Other Receivables	207	0	0	0	0	0	0	0	0	207
Notes Receivable	0	1,551	0	0	0	203	0	0	0	1,754
Due from Other Component Units	0	0	0	0	230	101	0	20,315	0	20,646
Due from Primary Government	0	0	0	4,055	360	47	0	0	0	4,462
Inventory	0	0	0	0	0	0	0	0	9	9
Prepaid Items	138	0	0	0	4	0	0	0	0	142
Other Current Assets	0	0	0	0	0	253	0	0	137	390
Total Current Assets	43,449	5,327	7,195	45,008	54,894	13,230	99	20,315	10,961	200,478
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	3	0	0	10,092	0	0	0	0	10,095
Investments - Restricted	0	34,694	0	0	872	0	25,547	0	0	61,113
Long-Term Notes Receivable, Net	0	17,946	0	0	0	1,358	0	0	0	19,304
Capital Assets										
Depreciable, Net	14,537	138	0	0	97,966	488	0	0	0	113,129
Land	26	0	0	0	4,009	100	0	0	0	4,135
Construction in Progress	4,463	0	0	0	58,731	0	0	0	0	63,194
Other Noncurrent Assets										
Unrestricted	0	47	0	0	20,138	150	0	0	1,907	22,242
Restricted	0	0	0	0	9,478	0	0	0	0	9,478
Total Noncurrent Assets	19,026	52,828	0	0	201,286	2,096	25,547	0	1,907	302,690
Total Assets	62,475	58,155	7,195	45,008	256,180	15,326	25,646	20,315	12,868	503,168
Liabilities										
Liabilities										
Current Liabilities										
Accounts Payable and										
Accrued Liabilities	3,855	1	0	0	17,086	7	0	0	2,905	23,854
Claims and Judgments	0	0	0	12,976	0	0	0	0	0	12,976
Interest Payable	0	399	0	38,097	0	0	275	0	0	38,771
Due to Other Component Units	0	0	0	56	155	0	0	0	0	211
Due to Primary Government	1	0	0	6	0	2	0	0	0	9
Deferred Revenue	0	0	0	0	14	57	0	0	0	71
Capital Leases-Primary Govt.	0	0	0	0	276	0	0	0	0	276
Compensated Absences	169	78	0	63	93	0	0	0	0	403
Notes Payable	0	0	0	1,065	0	0	0	0	0	1,065
General Obligation Bonds	0	1,760	0	0	0	0	0	0	0	1,760
Revenue Bonds	0	0	0	0	870	0	0	0	1,005	1,875
Other Current Liabilities	104	0	0	0	0	0	0	0	0	104
Total Current Liabilities	4,129	2,238	0	52,263	18,494	66	275	0	3,910	81,375
Noncurrent Liabilities										
Claims and Judgments	0	0	0	91,746	0	0	0	0	0	91,746
Capital Leases-Primary Govt.	0	0	0	0	44	0	0	0	0	44
Compensated Absences	144	0	0	0	0	0	0	0	0	144
Notes Payable	0	0	0	45,068	0	0	0	0	0	45,068
General Obligation Bonds	0	53,457	0	0	0	0	0	0	0	53,457
Revenue Bonds	0	0	0	0	52,834	9,999	0	0	2,760	65,593
Other Noncurrent Liabilities	439	0	0	0	401	298	35,405	0	0	36,543
Total Noncurrent Liabilities	583	53,457	0	136,814	53,279	10,297	35,405	0	2,760	292,595
Total Liabilities	4,712	55,695	0	189,077	71,773	10,363	35,680	0	6,670	373,970
Net Assets										
Invested in Capital Assets,										
Net of Related Debt	14,563	0	0	0	116,844	588	0	0	0	131,995
Restricted for:										
Debt Service	0	2	0	0	0	0	0	0	0	2
Other Special Purpose										
Expendable	39,061	0	0	0	10,599	0	0	20,315	6,198	76,173
Unrestricted	4,139	2,458	7,195	(144,069)	56,964	4,375	(10,034)	0	0	(78,972)
Total Net Assets	$ 57,763	$ 2,460	$ 7,195	$ (144,069)	$ 184,407	$ 4,963	$ (10,034)	$ 20,315	$ 6,198	$ 129,198

State of Oklahoma
Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

		Program Revenues				General Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
Nonmajor Component Units:									
Oklahoma Educational Television Authority	$ 13,823	$ 4,289	$ 2,485	$ 0	$ (7,049)	$ 8,394	$ 1,345	$ 56,418	$ 57,763
Oklahoma Industrial Finance Authority	2,963	3,089	0	0	126	0	126	2,334	2,460
Health Insurance High Risk Pool	25,213	25,270	0	0	57	0	57	7,138	7,195
Multiple Injury Trust Fund	7,407	1,940	0	0	(5,467)	23,117	17,650	(161,719)	(144,069)
University Hospitals Authority	145,080	108,005	0	0	(37,075)	41,865	4,790	179,617	184,407
Oklahoma Development Finance Authority	1,225	1,347	0	0	122	0	122	4,841	4,963
Oklahoma Capital Investment Board	2,466	4,140	0	0	1,674	0	1,674	(11,708)	(10,034)
Oklahoma State Univ. Medical Authority	5	400	0	0	395	0	395	19,920	20,315
Oklahoma Centennial Commemoration Fund	24,290	21,701	0	0	(2,589)	0	(2,589)	8,787	6,198
Total Nonmajor Component Units	$ 222,472	$ 170,181	$ 2,485	$ 0	$ (49,806)	$ 73,376	$ 23,570	$ 105,628	$ 129,198

The Notes to the Financial Statements are an integral part of this statement.

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Other Supplementary Information

Other Supplementary Information

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy

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TO THE GOVERNOR AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 30, 2008, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements noted below:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, and the Oklahoma Department of Wildlife Conservation, which in the aggregate represent ten percent and three percent, respectively, of the assets and revenues of the governmental activities, and two percent of both the assets and revenues of the general fund;
- the financial statements of the Water Resources Board and the Oklahoma Lottery Commission which in the aggregate represent fifty-four percent of the assets and fifty-two percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, and the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, the Oklahoma Department of Wildlife Conservation Retirement Plan, or the Oklahoma State and Education Employees Group Insurance Board which in the aggregate represent ninety-eight percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might

be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. [08-090-001].

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State of Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the State of Oklahoma and federal awarding agencies and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Steve Burrage, CPA
State Auditor and Inspector

December 30, 2008

SCHEDULE OF FINDINGS AND RESPONSES
FINANCIAL STATEMENT FINDINGS
(INTERNAL CONTROL AND COMPLIANCE)

Reference Number: 08-090-001
State Agency: Office of State Finance

Criteria/Condition: An essential part of the internal controls established by the Office of State Finance (OSF) is the performance of a cash reconciliation of treasury funds between the CORE general ledger and the State Treasurer's Office (OST). The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that errors are detected and corrected in a timely manner. While it appears the agencies have made great strides by reconciling cash monthly for state fiscal year 2008, there are still outstanding differences between OSF and OST totaling $125,525,260.

Cause/Effect: The delay in resolving the outstanding differences appears to be due to staffing issues related to ongoing implementation of the CORE system. Without the material cash reconciling items being resolved between OSF and OST, the financial information could be incomplete, inaccurate and/or unreliable for users of the CORE system.

Recommendation: We recommend the cash reconciliation of treasury funds between OSF and OST continue to be reviewed and reconciled on a timely basis to ensure the financial information is complete, accurate and reliable for users of the CORE system.

Views of Responsible Official(s):

Contact Person: Jennie Pratt, Deric Berousek

Anticipated Completion Date: June 30, 2009

Corrective Action Planned: OSF has a process in place for reconciling current period cash between OSF and OST and now performs this process on a monthly basis. During the second half of fiscal year 2009 several staff members from the Division of Central Accounting and Reporting and the Financial Reporting Unit will concentrate reconciliation efforts specifically on the funds with material outstanding differences between OSF and OST.

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Statistical Section

STATISTICAL SECTION
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Using the Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health. The information is grouped into the following five categories.

Financial Trends – Net Assets by Component, Changes in Net Assets, Fund Balances, and Changes in Fund Balance

These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.

Revenue Capacity – Personal Income by Industry, Personal Income Tax Filers and Liability by Adjusted Gross Income, and Tax Collections

These schedules contain information to help the reader assess the ability of the state to generate and collect taxes.

Debt Capacity – Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures, Ratios of Outstanding Debt by Type, and Revenue Bond Coverage

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, its ability to issue additional debt in the future, and its ability to repay the outstanding debt.

Demographic and Economic Information – Major Employers by Size, Demographic and Economic Statistics, and School Enrollments

These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – Government Employees by Function, Capital Asset Utilization by Function, Operating Indicators for Governmental Functions, and Additional Information and Sources of Statistical Data

These schedules contain information about the state's operations and resources to help the reader understand how the state's financial information relates to the services the state provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The State of Oklahoma implemented GASB 34 in 2001; schedules presenting government-wide information include information beginning in that year.

State of Oklahoma
Schedule of Net Assets By Component
Last Eight Fiscal Years
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities								
Invested in capital assets, net of related debt	$ 6,005,182	$ 5,543,009	$ 5,658,694	$ 5,991,173	$ 6,086,534	$ 6,246,160	$ 6,633,078	$ 7,118,384
Restricted	1,282,421	1,673,732	1,645,107	1,497,652	1,682,789	1,887,136	2,172,697	3,368,766
Unrestricted	2,191,416	1,279,298	1,380,071	1,955,354	2,371,787	3,156,226	3,348,465	2,284,063
Total governmental activities net assets	9,479,019	8,496,039	8,683,872	9,444,179	10,141,110	11,289,522	12,154,240	12,771,213
Business-type activities								
Invested in capital assets, net of related debt	116	114	121	220	161	608	167	771
Restricted	586,717	574,812	482,163	485,159	886,391	1,062,156	1,207,733	9,019
Unrestricted	193,175	208,628	220,885	224,997	-	202	7,822	1,283,673
Total business-type activities net assets	780,008	783,554	703,169	710,376	886,552	1,062,966	1,215,722	1,293,463
Primary government								
Invested in capital assets, net of related debt	6,005,298	5,543,123	5,658,815	5,991,393	6,086,695	6,246,768	6,633,245	7,119,155
Restricted	1,869,138	2,248,544	2,127,270	1,982,811	2,569,180	2,949,292	3,380,430	3,377,785
Unrestricted	2,384,591	1,487,926	1,600,956	2,180,351	2,371,787	3,156,428	3,356,287	3,567,736
Total primary government net assets	$ 10,259,027	$ 9,279,593	$ 9,387,041	$ 10,154,555	$ 11,027,662	$ 12,352,488	$ 13,369,962	$ 14,064,676

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Changes in Net Assets
Last Eight Fiscal Years
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Expenses								
Governmental Activities:								
Education-General	$ 2,514,961	$ 2,553,744	$ 2,522,466	$ 2,614,823	$ 2,751,320	$ 2,942,969	$ 3,285,059	$ 3,479,319
Education-Payment to Higher Education	835,371	831,855	800,490	802,985	786,862	823,489	936,404	910,385
General Government	521,153	405,243	1,003,118	1,254,177	1,518,198	1,529,506	1,712,841	1,680,106
Health Services	367,569	408,545	399,572	393,661	3,096,903	3,471,042	3,954,939	4,214,407
Legal and Judiciary	163,037	169,429	167,971	160,952	175,673	197,324	213,955	222,319
Museums	11,755	12,738	11,008	11,042	11,634	33,840	17,834	32,164
Natural Resources	192,980	195,205	190,289	181,033	201,039	242,466	271,734	249,235
Public Safety and Defense	702,059	776,385	603,306	645,820	674,507	728,331	829,663	926,959
Regulatory Services	170,691	169,529	175,512	71,733	83,421	116,516	110,218	95,653
Social Services	3,303,724	3,720,896	3,858,546	4,154,504	1,664,577	1,727,808	1,797,721	1,782,333
Transportation	599,698	579,246	545,193	559,628	580,027	654,147	482,831	791,993
Interest on Long-Term Debt	42,275	53,453	46,174	45,615	47,769	68,383	69,769	74,108
Governmental Activities	9,425,273	9,876,268	10,323,645	10,895,973	11,591,930	12,535,821	13,682,968	14,458,981
Business-Type Activities:								
Employment Security Commission	147,051	267,462	365,701	335,197	194,373	164,954	177,914	194,549
Water Resources Board	16,230	15,108	13,792	15,965	24,636	29,829	28,015	27,016
Lottery Commission	-	-	-	-	92	164,862	145,028	145,951
Business-Type Activities	163,281	282,570	379,493	351,162	219,101	359,645	350,957	367,516
Total Primary Government Expenses	$ 9,588,554	$ 10,158,838	$ 10,703,138	$ 11,247,135	$ 11,811,031	$ 12,895,466	$ 14,033,925	$ 14,826,497
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	$ 250,694	$ 197,531	$ 195,789	$ 103,377	$ 188,708	$ 200,292	$ 215,773	$ 222,663
Health Services	57,119	62,243	52,032	48,308	205,753	219,040	166,816	140,691
Social Services	116,904	179,385	186,120	289,548	56,351	76,898	72,674	157,818
All Others	380,783	342,699	340,014	378,666	452,317	441,250	472,406	483,933
Total Charges for Services	805,500	781,858	773,955	819,899	903,129	937,480	927,669	1,005,105
Operating Grants and Contributions	3,219,285	3,620,888	4,012,431	4,533,045	4,641,036	4,928,318	5,370,772	5,528,650
Capital Grants and Contributions	3,076	14,003	16,396	9,056	1,304	-	-	-
Total Governmental Activities	4,027,861	4,416,749	4,802,782	5,362,000	5,545,469	5,865,798	6,298,441	6,533,755
Business-Type Activities:								
Charges for Services:								
Employment Security Commission	99,880	133,174	181,586	263,265	328,445	311,294	271,705	227,733
Water Resources Board	21,287	21,816	13,490	13,284	41,761	35,596	52,300	37,585
Lottery Commission	-	-		-	-	205,075	215,223	214,400
Total Charges for Services	121,167	154,990	195,076	276,549	370,206	551,965	539,228	479,718
Operating Grants and Contributions	29,802	131,801	104,568	82,199	25,434	24,432	34,457	33,862
Capital Grants and Contributions	-	-	-	-	-	-	-	-
Total Business-Type Activities	150,969	286,791	299,644	358,748	395,640	576,397	573,685	513,580
Total Primary Government Revenue	$ 4,178,830	$ 4,703,540	$ 5,102,426	$ 5,720,748	$ 5,941,109	$ 6,442,195	$ 6,872,126	$ 7,047,335
Net (Expense) Revenue:								
Governmental Activities	$ (5,397,412)	$ (5,459,519)	$ (5,520,863)	$ (5,533,973)	$ (6,046,461)	$ (6,670,023)	$ (7,384,527)	$ (7,925,226)
Business-Type Activities	(12,312)	4,221	(79,849)	7,586	176,539	216,752	222,728	146,064
Total Primary Government	$ (5,409,724)	$ (5,455,298)	$ (5,600,712)	$ (5,526,387)	$ (5,869,922)	$ (6,453,271)	$ (7,161,799)	$ (7,779,162)
General Revenues								
Governmental Activities:								
Taxes	$ 5,426,859	$ 5,081,788	$ 5,540,110	$ 6,268,763	$ 6,652,722	$ 7,712,816	$ 7,974,727	$ 8,181,246
Investment Earnings	137,744	72,769	38,307	21,600	46,981	114,884	192,733	247,191
Contributions to Permanent Funds		37,906	41,814	39,039	43,504	43,684	48,839	68,018
Gain (Loss) on Sale of Assets	9,518	(1,491)	(790)		-	5,386	1,989	-
Special Item - Taxpayer Refund	-	-	-	-	-	(91,869)	-	-
Transfers	(1,043)	675	577	379	363	40,325	69,972	68,323
Total Governmental Activities	5,573,078	5,191,647	5,620,018	6,329,781	6,743,570	7,825,226	8,288,260	8,564,778
Business-Type Activities:								
Transfers	1,043	(675)	(577)	(379)	(363)	(40,325)	(69,972)	(68,323)
Total Business-Type Activities	1,043	(675)	(577)	(379)	(363)	(40,325)	(69,972)	(68,323)
Total General Revenues and Transfers	$ 5,574,121	$ 5,190,972	$ 5,619,441	$ 6,329,402	$ 6,743,207	$ 7,784,901	$ 8,218,288	$ 8,496,455
Change in Net Assets	164,397	(264,326)	18,729	803,015	873,285	1,331,630	1,056,489	717,293
Net Assets - Beginning of Year (as restated)	10,094,630	9,543,919	9,368,312	9,351,540	10,154,377	11,020,858	12,313,473	13,347,383
Net Assets - End of Year	$ 10,259,027	$ 9,279,593	$ 9,387,041	$ 10,154,555	$ 11,027,662	$ 12,352,488	$ 13,369,962	$ 14,064,676

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Fund Balances, Governmental Funds
Last Eight Fiscal Years
(Modified accrual basis of accounting)
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
General Fund								
Reserved	$ 429,305	$ 439,037	$ 587,039	$ 354,525	$ 359,492	$ 586,051	$ 731,850	$ 758,702
Unreserved	1,879,727	1,384,506	1,239,784	1,719,849	2,164,492	3,373,911	3,449,196	3,504,990
Total General Fund	2,309,032	1,823,543	1,826,823	2,074,374	2,523,984	3,959,962	4,181,046	4,263,692
All Other Governmental Funds								
Reserved	1,184,603	1,145,531	1,266,125	1,423,558	1,589,641	1,748,747	2,024,316	2,052,390
Unreserved	-	4,392	3,520	-	-	-	-	-
Total All Other Governmental Funds	1,184,603	1,149,923	1,269,645	1,423,558	1,589,641	1,748,747	2,024,316	2,052,390
Total All Governmental Fund Balances	$ 3,493,635	$ 2,973,466	$ 3,096,468	$ 3,497,932	$ 4,113,625	$ 5,708,709	$ 6,205,362	$ 6,316,082

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Changes in Fund Balances, Governmental Funds
Last Eight Fiscal Years
(Modified accrual basis of accounting)
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Revenues								
Taxes:								
Income Taxes-Individual	$ 2,213,891	$ 2,193,040	$ 2,063,414	$ 2,427,239	$ 2,410,234	$ 2,693,548	$ 2,654,294	$ 2,753,040
Income Taxes-Corporate	169,343	205,759	178,161	199,937	277,265	426,725	772,668	552,193
Sales Tax	1,475,338	1,478,325	1,437,630	1,623,423	1,682,636	1,843,803	1,968,931	2,107,116
Gross Production Taxes	561,713	226,094	468,064	656,035	737,204	1,036,888	822,888	1,114,950
Motor Vehicle Taxes	270,724	250,870	539,748	572,844	574,800	584,294	609,669	604,926
Fuel Taxes	263,128	274,476	378,021	383,871	407,276	414,677	401,992	419,617
Tobacco Taxes	-	-	-	-	124,347	216,512	220,556	237,166
Insurance Taxes	152,746	174,424	197,799	173,535	81,852	76,874	104,403	100,778
Beverage Taxes	128,591	55,637	66,291	68,617	71,300	75,517	79,996	86,648
Other Taxes	191,385	223,163	210,982	163,262	285,808	343,978	339,330	204,812
Licenses, Permits and Fees	220,235	243,821	244,143	257,683	285,323	296,521	289,717	323,903
Interest and Investment Revenue	202,290	72,649	191,728	234,560	294,796	382,545	637,729	399,006
Federal Grants	3,265,672	3,661,140	3,945,318	4,314,751	4,493,290	4,770,328	5,006,861	5,503,532
Sales and Services	149,868	149,237	163,384	158,314	169,374	183,369	185,278	173,117
Other	324,281	401,243	348,298	416,874	388,193	434,451	366,988	475,020
Total Revenues	9,589,205	9,609,878	10,432,981	11,650,945	12,283,698	13,780,030	14,461,300	15,055,824
Expenditures								
Education	3,345,934	3,387,027	3,319,533	3,413,856	3,534,042	3,762,683	4,218,333	4,387,428
General Government	503,015	385,320	981,408	1,242,562	1,478,107	1,607,212	1,604,462	1,694,758
Health Services	359,078	396,472	390,047	385,634	3,144,918	3,447,085	3,936,893	4,200,188
Legal and Judiciary	158,085	164,410	163,576	155,822	170,337	190,644	207,229	215,942
Museums	9,409	9,302	7,943	9,497	11,171	30,316	17,045	31,586
Natural Resources	187,661	182,524	186,898	170,469	191,514	231,616	238,075	263,551
Public Safety and Defense	675,513	737,410	607,896	596,905	628,901	674,494	773,813	876,660
Regulatory Services	168,128	167,360	174,004	70,559	81,333	114,871	108,231	93,438
Social Services	3,280,669	3,684,277	3,822,301	4,118,013	1,589,397	1,697,057	1,758,475	1,755,810
Transportation	180,821	233,439	222,475	205,421	146,013	224,885	173,532	286,540
Capital Outlay	678,942	721,007	669,574	635,411	673,562	768,003	918,055	1,010,262
Debt Service								
Principal Retirement	55,675	63,850	75,226	28,212	31,550	98,512	103,606	126,103
Interest and fiscal Charges	42,275	53,453	46,174	45,615	47,769	68,383	69,769	74,108
Total Expenditures	9,645,205	10,185,851	10,667,055	11,077,976	11,728,614	12,915,761	14,127,518	15,016,374
Revenues in Excess of (Less Than) Expenditures	(56,000)	(575,973)	(234,074)	572,969	555,084	864,269	333,782	39,450
Other Financing Sources (Uses)								
Transfers In	25,262	4,256	7,363	6,575	4,439	50,405	80,606	76,576
Transfers Out	(26,306)	(3,581)	(6,786)	(6,196)	(4,076)	(10,080)	(10,634)	(8,253)
Bonds Issued	157,340	41,810	12,930	34,180	47,940	614,400	6,430	23,000
Notes Issued	-	-	24,190	54,770	-	48,875	95,675	-
Refunding Bonds Issued	-	3,135	353,380	22,070	118,825	-	-	-
Bond Issue Premiums	2,203	148	35,784	2,670	8,497	14,562	4,573	-
Bond Issue Discounts	-	(39)	(103)	(182)	(421)	(975)	(82)	-
Payment to Refunded Bond Escrow Agent	-	(3,135)	(93,670)	(298,591)	(126,670)	-	-	-
Capital Leases and Certificates of Participation	2,343	879	2,935	1,886	311	248	2,501	2,873
Sale of Capital Assets	10,930	9,049	9,212	11,008	11,764	13,191	7,613	7,860
Total Other Financing Sources (Uses)	171,772	52,522	345,235	(171,810)	60,609	730,626	186,682	102,056
Net Changes in Fund Balances	**115,772**	**(523,451)**	**111,161**	**401,159**	**615,693**	**1,594,895**	**520,464**	**141,506**
Fund Balances - Beginning of Year (as restated)	3,377,863	3,496,917	2,985,307	3,096,773	3,497,932	4,113,814	5,684,898	6,174,576
Fund Balances - End of Year	$ 3,493,635	$ 2,973,466	$ 3,096,468	$ 3,497,932	$ 4,113,625	$ 5,708,709	$ 6,205,362	$ 6,316,082
Debt Service as a Percentage of Noncapital Expenditures	1.1%	1.2%	1.2%	0.7%	0.7%	1.4%	1.3%	1.4%

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Personal Income by Industry
Last Seven Calendar Years
(expressed in millions)

	2001	2002	2003	2004	2005	2006	2007
Total Personal Income	$ 90,161	$ 90,178	$ 93,032	$ 98,095	$ 106,111	$ 115,960	$ 126,280
Farm Earnings	625	774	736	917	870	401	486
Nonfarm Earnings	65,716	65,337	68,022	72,218	78,528	85,495	91,723
Private Earnings	**52,287**	**51,078**	**53,238**	**56,529**	**61,924**	**67,680**	**72,902**
Agriculture Services, Forestry	168	148	161	177	189	186	203
Mining, Oil & Natural Gas Extraction	3,673	3,261	4,002	4,549	6,389	8,265	8,634
Utilities	1,043	1,178	1,386	1,444	1,274	1,385	1,721
Construction	3,350	3,216	3,363	3,533	3,806	4,112	4,154
Manufacturing	**11,111**	**9,826**	**10,186**	**10,457**	**12,178**	**12,943**	**14,552**
Durable Goods	5,165	4,996	5,116	5,164	5,270	5,759	6,020
Nondurable goods	5,946	4,831	5,070	5,293	6,908	7,184	8,532
Wholesale Trade	2,662	2,790	2,747	2,938	3,209	3,548	3,745
Retail Trade	4,728	4,871	4,932	5,096	5,311	5,578	5,746
Transportation and Warehousing	2,985	2,537	2,573	2,776	2,865	3,260	3,484
Services	22,567	23,251	23,888	25,559	26,704	28,403	30,663
Government	**13,429**	**14,259**	**14,784**	**15,689**	**16,604**	**17,814**	**18,820**
Federal, civilian	3,149	3,352	3,446	3,696	3,816	4,001	4,170
Military	1,624	1,851	2,128	2,265	2,392	2,621	2,691
State and Local	8,656	9,056	9,210	9,728	10,395	11,192	11,959
Highest Personal Income Tax Rate	6.75%	6.75%	7.00%	7.00%	6.65%	5.65%	5.65%
Corporate Income Tax Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Source: U. S. Department of Commerce, Bureau of Economic Analysis, and the Oklahoma Tax Commission.
Data is the latest avaialable at time of printing.

Note: Totals may not add due to rounding

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Personal Income Tax Filers and Liability by Adjusted Gross Income
Calendar (Tax) Years 2006 and 1997

Calendar Year 2006

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	157,239	10%	$1,387,257,066	49%
$75,001 - $100,000	108,428	7%	367,118,569	13%
$50,001 - $75,000	195,855	12%	455,490,579	16%
$25,001 - $50,000	387,835	24%	467,689,888	17%
$10,001 - $25,000	413,978	26%	145,301,805	5%
$10,000 and lower	333,525	21%	7,397,512	0%
Total	1,596,860	100%	$2,830,255,419	100%

Calendar Year 1997

Adjusted Gross Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	64,895	5%	$596,972,111	33%
$75,001 - $100,000	55,390	4%	204,148,448	11%
$50,001 - $75,000	151,528	11%	382,583,484	21%
$25,001 - $50,000	351,270	25%	455,288,728	25%
$10,001 - $25,000	430,693	30%	153,283,808	8%
$10,000 and lower	363,024	26%	12,413,089	1%
Total	1,416,800	100%	$1,804,689,668	100%

Source: Oklahoma Tax Commission

State of Oklahoma
Tax Collections
For Last Six Fiscal Years

Taxes	2003	2004	2005	2006	2007	2008
Aircraft Excise Tax	$ 3,561,783	$ 2,130,160	$ 3,839,124	$ 2,781,702	$ 4,894,881	$ 4,756,533
Alcoholic Beverage Excise Tax	24,025,186	25,032,825	26,311,626	27,226,193	19,298,490	20,898,973
Beverage Tax	23,866,102	24,003,209	23,735,552	24,253,880	24,876,901	25,337,878
Bingo Tax	6,184,991	4,978,884	4,051,661	1,640,473	1,088,643	491,681
Charity Games Tax	486,646	376,960	308,613	136,253	107,404	71,363
Cigarette Tax	50,346,995	40,475,363	95,450,565	195,787,044	197,416,262	202,745,622
City Use Tax - Collect/Deposit	454,259	567,686	660,926	790,748	897,305	1,069,561
Coin Operated Device Decal	3,830,917	3,925,921	4,159,453	2,811,672	3,560,571	3,512,188
Conservation Excise Tax	-	-	-	-	-	
Controlled Dangerous Substance Tax	-	-	6,653	23,564	19,295	17,766
County Tax (Use & Lodging)	-	-	125,697	150,697	192,820	213,985
Diesel Fuel Excise Tax	81,089,139	83,245,595	102,260,840	97,859,124	60,427,734	69,806,535
Documentary Stamp Tax	10,304,768	12,047,669	14,000,568	16,768,900	17,153,783	16,584,410
Farm Implement Tax Stamps	-	-	7,010	5,870	6,305	8,324
Franchise Tax	41,854,891	41,660,448	40,671,476	41,476,258	43,068,528	46,103,569
Freight Car Tax	764,012	741,459	765,646	755,298	782,258	676,250
Gamining Exclusivity Fees	-	-	1,653,098	14,191,695	43,618,582	79,779,165
Gasoline Excise Tax	295,106,890	302,366,783	301,720,983	297,350,256	207,928,969	207,968,692
Gross Production Tax - Oil and Gas	539,938,656	645,764,813	751,196,057	1,044,377,673	787,621,631	950,392,198
Horse Track Gaming	-	-	-	3,145,867	10,019,698	10,429,536
Income Tax (Individual)	2,113,947,134	2,319,213,479	2,469,593,556	2,755,776,194	2,774,850,747	2,778,617,535
Income Tax (Corporate)	104,447,596	133,308,896	168,889,848	304,381,318	554,759,229	359,823,533
Inheritance and Estate Tax	74,927,778	111,145,361	75,708,394	81,923,012	69,312,845	52,416,680
Insurance Premium Tax	156,636,886	275,709,270	139,575,679	129,587,854	159,816,876	161,504,757
Mixed Beverage Gross Receipts Tax	18,434,327	19,384,468	20,950,603	23,378,598	25,754,035	29,749,193
Occupational Health and Safety Tax	1,563,901	1,796,126	1,791,197	1,919,509	2,263,308	2,311,554
Pari-Mutuel Taxes	2,687,696	2,799,509	1,827,015	1,638,435	1,834,816	1,811,980
Pari-Mutuel - Other Tax	21,350	22,390	13,836	14,948	18,645	33,155
Petroleum Excise Tax	8,012,472	9,286,470	11,310,702	15,540,837	13,214,922	15,861,718
Rural Electric Co-operative Tax	18,487,011	20,431,429	17,306,353	25,307,409	1,448,501	1,488,051
Sales Tax	1,404,275,613	1,496,365,797	1,546,643,407	1,677,854,488	1,790,192,096	1,913,387,580
Sales Tax - City	10,941,969	9,853,256	10,327,761	12,798,204	13,735,769	12,425,284
Sales Tax - County	1,123,179	1,538,470	1,865,652	2,208,807	2,853,056	2,583,542
Special Fuel Decal	297,866	272,297	268,856	221,878	719,261	320,595
Special Fuel Use Tax	152,939	37,152	18,719	24,767	1,461,588	1,423,614
Tag Agent Remittance Tax	540,300,580	572,966,808	553,892,770	575,997,301	277,606,225	307,223,643
Telephone Surcharge	1,196,625	904,408	978,355	953,770	925,799	917,690
Tobacco Products Tax	12,282,099	12,423,543	17,199,744	26,059,833	23,700,748	24,311,479
Tourism Gross Receipt Tax	4,289,009	4,742,439	4,801,137	5,175,280	5,532,552	1,163,187
Tribal Compact in Lieu of Tax Payments	9,468,712	10,579,504	15,099,194	20,383,536	22,734,204	28,031,272
Unclaimed Property Tax	27,678,270	39,408,944	52,245,461	10,829,856	11,849,607	11,756,295
Unclassified Tax Receipts	5,181	53,627	41,819	62,370	135,530	278,502
Use Tax	75,860,919	98,007,540	114,197,882	133,775,850	155,857,219	167,314,341
Vehicle Revenue Tax Stamps	44,847	45,275	43,908	45,452	46,074	46,769
Workers' Compensation Awards - Assessments	39,422,004	28,749,473	26,242,427	2,479,167	31,355,388	22,427,205
Workers' Compensation Insurance Premium Tax	5,572,798	6,325,844	6,617,592	7,259,704	7,652,100	7,622,856
Other Taxes	15,513,185	16,427,233	20,791,539	18,902,571	17,453,681	19,685,781
Total	$ 5,729,407,181	$ 6,379,116,783	$ 6,649,168,954	$ 7,606,034,115	$ 7,390,064,881	$ 7,565,402,020

Prepared using cash basis to aid in budgetary analysis.
Source: Oklahoma Tax Commission

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The period from 2003 to present is presented above because of the addition of new taxes and the repeal or expiration of other taxes. This is to clarify presentation of the data and does not materially effect the total amount of taxes collected. Please refer to prior year reports for information prior to 2003.

State of Oklahoma
Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures Governmental Funds

For Last Eight Fiscal Years
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Debt Service								
Principal Retirement	$ 55,675	$ 63,850	$ 75,226	$ 28,212	$ 31,550	$ 98,512	$ 103,606	$ 126,103
Interest and Fiscal Charges	42,275	53,453	46,174	45,615	47,769	68,383	69,769	74,108
Total Debt Service	97,950	117,303	121,400	73,827	79,319	166,895	173,375	200,211
Total Expenditures	$ 9,645,205	$ 10,185,851	$ 10,667,055	$ 11,077,976	$ 11,728,614	$ 12,915,761	$ 14,127,518	$ 15,016,374
Ratio	1.016%	1.152%	1.138%	0.666%	0.676%	1.292%	1.227%	1.333%

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Ratios of Outstanding Debt by Type – Primary Government

Last Eight Fiscal Years
(expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities Debt:								
General Obligation Bonds	$ 290,500	$ 280,470	$ 531,185	$ 261,210	$ 261,210	$ 247,500	$ 233,510	$ 218,955
General Obligation Bonds as a Percentage of General Revenue [a]	5.21%	5.40%	9.45%	4.13%	3.87%	3.16%	2.82%	2.56%
Per Capita (actual-not in thousands) [b]	$ 84	$ 80	$ 152	$ 74	$ 74	$ 69	$ 65	$ 60
Revenue bonds	644,139	635,154	588,986	640,619	668,091	1,208,646	1,137,350	1,061,570
Notes Payable	35,946	35,673	59,579	107,842	97,869	136,966	221,898	211,570
Certificates of Participation	3,036	2,262	1,430	559	57	-	-	-
Capital Leases	6,820	4,884	5,894	5,336	4,161	3,287	4,641	5,082
Total Governmental Activities	980,441	958,443	1,187,074	1,015,566	1,031,388	1,596,399	1,597,399	1,497,177
Business-Type Activities Debt:								
Revenue Bonds	$ 253,279	$ 359,019	$ 346,853	$ 534,727	$ 701,364	$ 653,070	$ 580,049	$ 544,900
Notes Payable	8,820	5,782	2,485	-	-	-	-	-
Total Business-Type Activities	262,099	364,801	349,338	534,727	701,364	653,070	580,049	544,900
Total Primary Government	1,242,540	1,323,244	1,536,412	1,550,293	1,732,752	2,249,469	2,177,448	2,042,077
Total Primary Government Debt as a Percentage of Personal Income [c]	1.38%	1.47%	1.66%	1.55%	1.62%	1.92%	1.72%	1.60%
Per Capita (actual-not in thousands) [b]	$ 359	$ 380	$ 438	$ 440	$ 488	$ 629	$ 602	$ 559

[a] General Revenue values can be found in the Changes in Net Assets statistics schedule.

[b] Population data can be found in the Demographic and Economic Statistics schedule. The amount for 2008 is estimated. 2008 population data was unavailable at printing.

[c] Debt by Type information can be found in the notes to the financial statements. The percentage for 2008 is estimated. 2008 income data was unavailable at printing.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Revenue Bond Coverage
Enterprise Fund and Component Units
For Last Ten Fiscal Years
(expressed in thousands)

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
COMPONENT UNITS:						
Oklahoma Student Loan Authority	2008	$ 60,391	$ 958	$ 59,433	$ 95,588	0.62
(June 30 year end)	2007	65,329	887	64,442	41,813	1.54
	2006	50,446	1,431	49,015	56,296	0.87
	2005	33,029	3,979	29,050	30,846	0.94
	2004	21,306	3,367	17,939	10,452	1.72
	2003	22,266	3,106	19,160	19,617	0.98
	2002	26,790	3,639	23,151	15,113	1.53
	2001	31,505	3,679	27,826	18,474	1.51
	2000	24,101	5,011	19,090	11,272	1.69
	1999	19,138	3,418	15,720	12,399	1.27
Oklahoma Housing Finance Agency	2007	$ 54,416	$ 12,831	$ 41,585	$ 54,104	0.77
(December 31 year end)	2006	36,019	12,278	23,741	50,091	0.47
	2005	33,503	11,525	21,978	76,490	0.29
	2004	39,740	11,870	27,870	117,072	0.24
	2003	43,239	11,110	32,129	87,628	0.37
	2002	61,492	10,722	50,770	102,995	0.49
	2001	79,650	10,955	68,695	77,381	0.89
	2000	67,974	6,782	61,192	96,456	0.63
	1999	67,168	5,786	61,382	110,584	0.56
	1998	41,326	5,268	36,058	52,906	0.68
Oklahoma Turnpike Authority	2007	$ 212,380	$ 70,197	$ 142,183	$ 89,604	1.59
(December 31 year end)	2006	208,835	64,819	144,016	82,546	1.74
	2005	203,372	59,883	143,489	91,624	1.57
	2004	195,710	53,340	142,370	91,799	1.55
	2003	188,999	52,441	136,558	79,430	1.72
	2002	194,531	48,797	145,734	102,773	1.42
	2001	191,988	45,868	146,120	72,031	2.03
	2000	170,135	40,865	129,270	67,611	1.91
	1999	167,341	40,932	126,409	78,702	1.61
	1998	161,660	36,545	125,115	70,376	1.78
Grand River Dam Authority	2007	$ 314,287	$ 127,530	$ 186,757	$ 99,214	1.88
(December 31 year end)	2006	300,888	181,698	119,190	100,131	1.19
	2005	289,868	164,443	125,425	100,986	1.24
	2004	235,641	121,399	114,242	101,869	1.12
	2003	213,124	109,850	103,274	102,609	1.01
	2002	203,020	104,945	98,075	103,065	0.95
	2001	203,860	101,018	102,842	103,108	1.00
	2000	216,046	114,725	101,321	94,243	1.08
	1999	195,738	90,114	105,624	94,356	1.12
	1998	215,879	109,795	106,084	95,830	1.11
Oklahoma Municipal Power Authority	2007	$ 153,391	$ 119,268	$ 34,123	$ 32,730	1.04
(December 31 year end)	2006	167,944	132,472	35,472	30,265	1.17
	2005	170,128	133,730	36,398	32,779	1.11
	2004	139,703	102,548	37,155	31,813	1.17
	2003	134,334	98,703	35,631	31,973	1.11
	2002	115,514	80,521	34,993	30,290	1.16
	2001	118,382	84,156	34,226	29,156	1.17
	2000	121,023	88,192	32,831	28,108	1.17
	1999	96,014	70,975	25,039	28,020	0.89
	1998	99,538	70,953	28,585	28,148	1.02
Higher Education	2008	$ 4,109,380	$ 3,365,616	$ 743,764	$ 69,859	10.65
(June 30 year end)	2007	3,950,840	3,201,403	749,437	194,053	3.86
	2006	3,726,961	3,004,968	721,993	117,155	6.16
	2005	3,193,703	2,697,338	496,365	60,609	8.19
	2004	3,055,770	2,586,517	469,253	86,143	5.45
	2003	2,638,386	2,441,841	196,545	55,145	3.56
	2002	2,489,644	2,327,184	162,460	30,565	5.32
	2001	2,300,325	2,125,609	174,716	27,178	6.43

	Fiscal Year Ended	Gross Revenues (1)	Operating Expenses (2)	Net Revenues for Debt Service	Debt Service Requirements	Debt Serv. Coverage
ENTERPRISE FUND:						
Oklahoma Water Resources Board	2008	$ 13,523	$ 15,288	$ 12,700	$ 36,575	0.35
(June 30 year end)	2007	14,992	781	14,211	140,922	0.10
	2006	14,815	1,813	13,002	59,607	0.22
	2005	11,955	2,092	9,863	49,697	0.20
	2004	-	1,519	(1,519)	57,564	-0.03
	2003	21,702	1,706	19,996	21,134	0.95
	2002	26,227	1,687	24,540	43,670	0.56
	2001	10,702	1,175	9,527	19,654	0.48
	2000	14,620	3,699	10,921	25,301	0.43
	1999	11,932	1,000	10,932	28,188	0.39

(1) Gross revenues including interest and investment income but excluding revenues restricted to other debt
(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)
- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.
- Debt service requirements do not include one time debt service payments from refunding bonds.
- Upon implementation of GASB Statement 34, Higher Education was included within the Component Units. Comparable data prior to their inclusion is not available.

State of Oklahoma
Major Employers by Size
Non-Government
For Years 1999 and 2008

Non-Government Major Employers 1999	Non-Government Major Employers 2008	Employment 2008	Percentage of Total State Employment 2008
Wal-Mart Stores, Inc.	Wal-Mart Stores, Inc.	33,000	1.53%
AMR, Corp.	AMR, Corp.	7,500	0.35%
Saint Francis Hospital	St. Francis Hospital	7,000	0.32%
Columbia HCA Healthcare	Chickasaw Enterprises	6,000	0.28%
Hillcrest Healthcare System	Choctaw Nation of Oklahoma	5,000	0.23%
MCI Worldcom	AT&T	4,600	0.21%
Integris Health	Integris Health	4,550	0.21%
The Hertz Corporation	YUM! Brands	4,500	0.21%
Phillips Petroleum Co.	ConocoPhillips	4,000	0.19%
W. H. Braum, Inc.	W. H. Braum, Inc.	3,500	0.16%

Source: Oklahoma Department of Commerce

State of Oklahoma
Demographic and Economic Statistics
Last Ten Fiscal Years

	Population [a] (in thousands)				Personal Income [b] (in thousands)	Per Capita Personal Income [b]			Civilian Labor Force [c]		
Year	U. S.	Change from Prior Period	State of Oklahoma	Change from Prior Period	State of Oklahoma	U. S.	State of Oklahoma	Oklahoma as a Percentage of U.S.	Employed	Unemployed	Unemployment Rate
1998	275,854	1.18%	3,405	0.95%	74,117,517	26,883	21,766	80.97%	1,568,709	74,597	4.5%
1999	279,040	1.15%	3,437	0.94%	77,565,113	27,939	22,567	80.77%	1,590,217	58,526	3.5%
2000	282,194	1.13%	3,454	0.49%	84,310,444	29,845	24,409	81.79%	1,609,478	53,176	3.2%
2001	285,112	1.03%	3,465	0.32%	90,160,848	30,574	26,022	85.11%	1,615,813	53,150	3.2%
2002	287,888	0.97%	3,486	0.61%	90,177,804	30,821	25,872	83.94%	1,602,356	78,010	4.6%
2003	290,850	1.03%	3,505	0.55%	92,599,241	31,504	26,457	83.98%	1,597,617	100,957	5.9%
2004	293,657	0.97%	3,524	0.54%	100,024,354	33,123	28,444	85.87%	1,608,525	87,991	5.2%
2005	296,410	0.94%	3,548	0.68%	106,744,584	34,650	30,189	87.13%	1,626,191	78,410	4.6%
2006	298,755	0.79%	3,578	0.85%	116,858,017	36,744	32,664	88.90%	1,647,755	69,844	4.1%
2007	301,621	0.96%	3,617	1.09%	126,279,662	38,564	34,910	90.52%	1,657,767	76,688	4.4%

[a] *source Oklahoma Department of Commerce and U.S. Census Bureau as adjusted*

[b] *source U.S. Bureau of Economic Analysis as adjusted*

[c] *source Oklahoma Employment Security Commission and U.S. Bureau of Labor Statistics as adjusted*

State of Oklahoma
School Enrollments
For the Years 2001 through 2007

Public School Enrollments:	2001	2002	2003	2004	2005	2006	2007
Early childhood	21,111	22,787	24,476	26,297	29,685	33,418	34,378
Kindergarten	39,067	39,242	40,801	42,603	44,193	48,667	49,362
Elementary School	239,247	238,068	233,332	231,626	230,323	255,144	236,130
Junior High School	109,546	110,627	112,790	113,080	112,771	117,026	137,251
Senior High School	150,519	148,822	148,900	148,816	149,585	157,248	178,292
No-High School Districts (Grades 1-8)	16,707	16,594	16,757	16,669	16,421	19,435	20,743
Special Education (Ungraded)	2,934	2,904	3,062	3,161	2,499	3,802	3,978
Out-of-Home Placements	1,613	1,751	1,648	1,674	1,687	1,777	1,854
Total	580,744	580,795	581,766	583,926	587,164	636,516	661,988
Higher Education:							
Public Institutions	216,758	220,448	225,040	230,090	237,455	235,730	233,371
Private Institutions	30,185	30,264	29,007	27,125	24,661	24,060	24,070
Total	246,943	250,712	254,047	257,215	262,116	259,790	257,441
Career-Technology Education:							
Secondary *	133,054	138,042	145,788	151,833	151,703	154,857	160,310
Adult	316,789	327,829	330,095	357,619	375,790	404,260	407,597
Total	449,843	465,871	475,883	509,452	527,493	559,117	567,907

* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical education.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Government Employees by Function
Fiscal Years 2001 through 2007
(excluding Higher Education)

	2001	2002	2003	2004	2005 [a]	2006 [a]	2007 [a]
Function:							
Education	1,355	1,176	1,203	1,079	1,026	1,002	993
General Government	2,807	1,477	2,573	2,443	1,993	2,105	2,023
Health Services	4,370	4,358	4,158	4,195	3,998	4,709	4,719
Legal and Judiciary	628	647	586	582	341	444	745
Museums	207	219	186	187	158	164	164
Natural Resources	3,608	3,346	3,318	3,382	2,704	2,010	1,973
Public Safety and Defense	7,563	7,539	7,245	7,212	6,911	8,835	8,524
Regulatory Services	1,458	1,411	1,448	1,417	1,244	1,839	1,625
Social Services	13,024	13,037	12,692	13,043	12,197	11,810	11,303
Transportation	2,958	2,940	2,941	3,001	2,945	3,027	2,984
Total	37,978	36,150	36,350	36,541	33,517	35,945	35,053

Source: State Office of Personnel Management (OPM)

[a] *OPM changed to the PeopleSoft HRMS system in FY2005. Information from FY2005 to current year includes only full-time, regular employees.*

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34 and is the latest available at the date of publication.

State of Oklahoma
Capital Asset Utilization by Function-
Primary Government

Last Eight Fiscal Years
(net of depreciation, expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities:								
Education	$ 15,008	$ 20,719	$ 19,984	$ 19,423	$ 19,213	$ 19,079	$ 18,592	$ 18,130
General Government	106,599	118,072	142,828	150,593	150,583	161,620	161,339	173,422
Health Services	34,478	35,054	34,349	32,876	32,003	30,632	28,161	28,784
Legal and Judiciary	702	490	278	100	20	139	300	302
Museums	6,549	6,419	6,593	6,879	6,760	6,607	6,454	6,576
Natural Resources	114,356	113,547	95,123	94,712	98,016	99,250	103,066	122,618
Public Safety and Defense	211,201	220,982	260,661	266,182	278,764	297,093	306,970	320,743
Regulatory Services	1,217	1,146	888	624	552	637	697	682
Social Services	115,821	147,036	165,406	176,706	192,402	198,744	203,034	209,140
Transportation	6,300,187	5,761,173	6,042,589	6,184,651	6,268,343	6,444,886	6,828,923	7,179,503
Governmental actiitivities, net	$ 6,906,118	$ 6,424,638	$ 6,768,699	$ 6,932,746	$ 7,046,656	$ 7,258,687	$ 7,657,536	$ 8,059,900
Business-type activities:								
Enterprise Funds	$ 116	$ 114	$ 121	$ 220	$ 175	$ 608	$ 1,028	$ 771
Business-type activities,net	$ 116	$ 114	$ 121	$ 220	$ 175	$ 608	$ 1,028	$ 771

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. The information above covers the period retroactive to the adoption of GASB Statement 34.

State of Oklahoma
Operating Indicators for Governmental Functions
Fiscal Years 2007 and 2008

	2007	2008
General Government		
Department of Central Services		
Number of motor vehicles maintained	1,019	1,019
Number of buildings managed by DCS	17	17
Health Services		
Department of Health		
Protective services:		
Retail food establishment inspections	24,704	33,648
Food inspections	45,847	43,387
Nursing Homes:		
Facility licensing, inspections and complaints	3,335	3,622
Residents (approximate)	18,500	18,950
Mental Health and Substance Abuse Department		
Number of patients:		
Mental Health	44,623	47,422
Substance Abuse	19,470	21,084
Hospitals - Inpatient Care	3	3
Legal and Judiciary		
Oklahoma Indigent Defense system		
Provides legal representation for indigent citizens charged with committing criminal acts.		
Represented - Total Court Appointments	38,556	39,334
Included above: Non-capital trial cases	32,000	30,000
Capital trial cases	65	71
General appeals cases	696	596
Average cost: Non-capital case (Staff Attorney)	$463	$410
Capital case (Staff Attorney)	$38,708	$34,824
Museums		
J. M. Davis Memorial		
Museum - 40,000 sq. ft.		
Number of artifacts	45,000	48,012
Visitors per year (average)	22,000	22,000
Oklahoma Historical Society		
Center - 18 acres 21,500 sq. ft.		
Number of artifacts (on exhibit)	2,000	>2,000
Visitors and researchers per year (average)	200,000	225,000
Will Rogers Memorial		
Museum - 9 Galleries - 16,652 sq. ft.		
Library - 2,400 sq. ft.		
Archives - number of documents, photographs	18,000	18,000
Visitors and researchers per year (average)	116,000	115,000
Natural Resources		
Wildlife Conservation		
Number of Anglers in State (last census)	774,000	697,000
Number of Hunters (last census)	261,000	445,000
Number of Wildlife Watchers (last census)	1,131,000	1,110,000

	2007	2008
Public Safety and Defense		
Department of Public Safety		
Driver's Licenses Issued	1,011,457	902,069
Citations Processed	221,659	219,442
Collision Reports Processed	14,175	14,033
Department of Corrections		
Capacity (Number of Beds)	24,845	24,815
Prison Population	24,124	24,433
As a percentage of capacity	97.1%	98.5%
Cost to house an inmate:		
Per diem cost/day - Maximum Security	$60.07	$60.07
Per diem cost/day - Medium Security	$51.94	$51.94
Regulatory Services		
Oklahoma Corporation Commission		
Number of regulated utilities	586	548
Hearings and administrative proceedings	33,523	32,273
Motor carrier vehicles registered (semi tractors)	156,895	131,444
Oil and gas wells plugged (leaking, abandoned)	2,016	1,699
Petroleum storage tanks inspected	3,816	3,388
Retail gasoline pump inspections	70,465	82,470
Social Services		
Department of Human Services		
Adoptive home placements	9,923	10,051
Adult services (protective and day services)	29,098	27,428
Child care services provided (monthly average)	45,246	40,250
Licensed facilities	5,533	4,762
Licensed capacity	140,507	137,743
Child protective services-Investigations and assessments	13,827	11,714
Child support enforcement (monthly average cases)	169,394	182,228
Developmental Disabilities Persons Served	12,692	13,724
Elderly support services (meals)	4,117,680	4,005,247
Food stamps (monthly average persons)	433,372	415,397
Foster care children (monthly average)	7,898	12,108
Medicaid (monthly average persons)	566,809	609,699
Oklahoma Employment Security Commission		
Initial unemployment claims	112,153	107,308
Unemployment insurance paid	$153,706,474	$158,694,794
Transportation		
Oklahoma Department of Transportation		
State Highway System	12,266 miles	12,266 miles
Bridges on the State Highway System	6,728	6,728
System usage growth next 20 years (est.)		
Automobiles	33%	33%
Trucks	70%	70%
Average annual growth from 2001 to 2003	3.6%	3.6%
Freight railroads operating in Oklahoma	20	20
Passenger railroad	1	1
Rail passengers (average per year)	54,000	54,000
Railroad track	3,234 miles	3,234 miles
Public Waterway Ports	2	2
Annual tonnage through the ports (average)	2,725,000 tons	2,725,000 tons

Source: Agency reports, Governor's annual budget report. Data above is the latest available at the date of publication.

Note: GASB Statement 44 recommends, but does not require, the information in the statistical section to cover the last ten years or the period retroactive to the adoption of GASB statement 34. Fiscal year 2007 was the first year the operating indicators above were reported in the CAFR.

State of Oklahoma
Additional Information and Sources of Statistical Data
Fiscal Year 2008

Additional Information:

The population of Oklahoma has steadily increased since 2003, averaging .74% per year.

The state unemployment rate is at 3.9% which is the lowest rate since 2002 and below the national rate. Oklahoma's unemployment rate has been below the national average since 1996.

Oklahoma's total personal income rate has steadily increased at an average of 6.45% annually since 2003. During the same period, personal income per capita increased by 5.74% averaged annually compared to 4.15% nationally.

As a result, annual total tax collections since 2003 have increased by $1,835,994,839 or 32%.

Please refer to the preceding statistical tables, managements discussion and analysis, the financial statements and notes for more details and analysis.

Sources of Statistical Data:

Data provided in the statistical section of the CAFR is the latest available at the time of publication.

Primary sources of statistical data provided in the Statistical Section of the CAFR include:

Oklahoma Department of Commerce
Oklahoma Department of Labor
Oklahoma Employment Security Commission
Oklahoma Tax Commission
Oklahoma Department of Education
Oklahoma Regents for Higher Education
Oklahoma Department of Vocational and Technical Education
Oklahoma Office of Personnel Management
U. S. Bureau of Labor Statistics
U. S. Census Bureau
U. S. Department of Commerce
U. S. Bureau of Economic Analysis

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OKLAHOMA

General Information

Admitted to Union (46th State) …… 1907
Capital …… Oklahoma City
2007 Population …… 3,617,316
Population per square mile …….. 50
Counties ……. 77

State Symbols

Nickname ……. Sooner State
Motto …….. *Labor Omnia Vincit* (Labor Conquers All Things)
Colors ……. Green and White
Flower …… Mistletoe
Tree ……... Redbud
Bird …… Scissor-tailed Flycatcher
Animal …… American Buffalo
Fish …… White Bass (Sand Bass)
Butterfly ……... Black Swallowtail
Reptile ……. Mountain Boomer (Collared Lizard)
Rock ……. Rose Rock

Area

Total Area ……. 69,906 square miles
Land Area ……. 68,679 square miles
Water Area …….. 1,224 square miles

Recreation

Number of State Parks …… 50
Number of State Trails …….. 99
Number of Lakes (100 acres or larger) …… 135

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